

HOUSE FLOOR AMENDMENT EXPLANATION



Bill Number: **HB 2389**

Carter N Floor Amendment

The Rep. Carter floor amendment dated February 19, 2025 at 9:54 PM changes the effective date from January 1, 2026 to January 1, 2032.

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2/20/2025

CARTER N FLOOR AMENDMENT
HOUSE OF REPRESENTATIVES AMENDMENTS TO H. B. 2389
(Reference to printed bill)

Amendment instruction key:

[GREEN UNDERLINING IN BRACKETS] indicates text added to statute or previously enacted session law.

[Green underlining in brackets] indicates text added to new session law or text restoring existing law.

[~~GREEN STRIKEOUT IN BRACKETS~~] indicates new text removed from statute or previously enacted session law.

[~~Green strikeout in brackets~~] indicates text removed from existing statute, previously enacted session law or new session law.

<<Green carets>> indicate a section added to the bill.

<<~~Green strikeout in carets~~>> indicates a section removed from the bill.

1 The bill as proposed to be amended is reprinted as follows:

2 Section 1. Section 15-445, Arizona Revised Statutes, is amended to
3 read:

4 15-445. Residents of unorganized territory; school district
5 elections

6 A. The county school superintendent, on receiving notification from
7 the state school superintendent pursuant to section 15-825.02, subsection
8 B, shall do all of the following before calling an election:

9 1. Establish the boundaries of the proposed school district, taking
10 into consideration communities of interest and excluding Indian
11 reservations and other federal lands where reasonable to do so. During
12 the period that the county school superintendent is considering the new
13 school district boundaries, the county school superintendent shall conduct
14 at least two public meetings at which public testimony is heard and
15 questions are answered.

16 2. Identify adjacent school districts that accept at least
17 twenty-five ~~per cent~~ PERCENT of their open enrollment or certificate of
18 educational convenience students from the unorganized territory and that
19 are willing to accept the unorganized territory into the existing school
20 district. If there is only one adjacent school district that meets these
21 criteria, the boundaries of that school district shall be reestablished to
22 include the unorganized territory without an election.

23 3. If there is more than one adjacent school district that meets
24 the criteria prescribed in paragraph 2 of this subsection, prepare a
25 pamphlet and a ballot question that includes the proposed boundaries and
26 identifies existing adjacent school districts that are willing to accept
27 the unorganized territory into the existing school district. The pamphlet
28 shall be mailed to each household with one or more qualified electors.

1 The pamphlet and ballot shall require the voters within the boundaries
2 proposed by the county school superintendent to join an existing adjacent
3 school district. The pamphlet and ballot shall include the full cash
4 value, the assessed valuation and the estimated amount of the primary
5 property taxes and the estimated amount of the secondary property taxes
6 under each of the ballot options for each of the following:

7 (a) An owner occupied residence whose assessed valuation is the
8 average assessed valuation of property classified as class three, as
9 prescribed by section 42-12003 for the current year in the school
10 district.

11 (b) An owner occupied residence whose assessed valuation is
12 one-half of the assessed valuation of the residence in subdivision (a).

13 (c) An owner occupied residence whose assessed valuation is twice
14 the assessed valuation of the residence in subdivision (a).

15 (d) A business whose assessed valuation is the average of the
16 assessed valuation of property classified as class one, as prescribed by
17 section 42-12001, ~~paragraphs~~ PARAGRAPH 12 ~~and 13~~ for the current year in
18 the school district.

19 B. The county school superintendent shall schedule the election on
20 the next available general election date allowed by law.

21 C. On a canvass of the vote and a determination by the county
22 school superintendent that a majority of the voters approve joining an
23 existing adjacent school district, the county school superintendent shall
24 notify the existing school district of the following:

25 1. That the boundaries of the school district shall be revised to
26 include the property identified in the boundaries established by the
27 county school superintendent.

28 2. That the school district shall provide the same educational
29 services that are currently provided to students who reside in current
30 boundaries of the school district to all students within the revised
31 boundaries at the beginning of the next school year.

32 D. If the adjacent school district is a common school district that
33 is within the boundaries of a union high school district, the unorganized
34 territory shall join both the common school district and the union high
35 school district. If the adjacent school district is a common school
36 district that is not within the boundaries of a UNION high school
37 district, the unorganized territory shall join the common school district,
38 and high school pupils who reside in the previously unorganized territory
39 shall be educated in the same manner as high school pupils who reside in
40 the common school district.

41 Sec. 2. Section 15-448, Arizona Revised Statutes, is amended to
42 read:

43 15-448. Formation of unified school district; board
44 membership; budget

45 A. One or more common school districts and a high school district
46 with coterminous or overlapping boundaries may establish a unified school
47 district pursuant to this section. Unification of a common school

1 district and a high school district is not authorized by this section if
2 any of the high school facilities owned by the new unified school district
3 would not be located within its boundaries.

4 B. Formation of a unified school district shall be by resolutions
5 approved by the governing boards of the unifying school districts and
6 certification of approval by such governing boards to the county school
7 superintendent of the county or counties in which such individual school
8 districts are located. A common school district and high school district
9 that unify pursuant to this section shall not exclude from the same
10 unification a common school district that has overlapping boundaries with
11 the high school district and that wishes to unify. Except as provided in
12 subsection D of this section, the formation of a unified school district
13 becomes effective on July 1 of the next fiscal year following the
14 certification of the county school superintendent. An election is not
15 required to form a unified school district pursuant to this section.
16 Notice of the proposed vote of the governing boards on the resolutions
17 prescribed in this subsection shall be posted in at least three public
18 places in each of the school districts proposed to be unified at least
19 ninety days before the proposed vote. At least ninety days before the
20 governing boards vote on the resolutions prescribed in this subsection,
21 the governing boards shall mail a pamphlet to each household with one or
22 more qualified electors that lists the full cash value, the assessed
23 valuation and the estimated amount of the primary property taxes and the
24 estimated amount of the secondary property taxes under the proposed
25 unification for each of the following:

26 1. An owner-occupied residence whose assessed valuation is the
27 average assessed valuation of property classified as class three, as
28 prescribed by section 42-12003 for the current year in the school
29 district.

30 2. An owner-occupied residence whose assessed valuation is one-half
31 of the assessed valuation of the residence in paragraph 1 of this
32 subsection.

33 3. An owner-occupied residence whose assessed valuation is twice
34 the assessed valuation of the residence in paragraph 1 of this subsection.

35 4. A business whose assessed valuation is the average of the
36 assessed valuation of property classified as class one, as prescribed by
37 section 42-12001, ~~paragraphs~~ PARAGRAPH 12 ~~and 13~~ for the current year in
38 the school district.

39 C. The boundaries of the unified school district shall be the
40 boundaries of the former common school district or districts that unify.
41 The boundaries of the common school district or districts that are not
42 unifying remain unchanged. The county school superintendent, immediately
43 on receipt of the approved resolutions prescribed by subsection B of this
44 section, shall file with the board of supervisors, the county assessor and
45 the superintendent of public instruction a transcript of the boundaries of
46 the unified school district. The boundaries shown in the transcript shall

1 become the legal boundaries of the school districts on July 1 of the next
2 fiscal year.

3 D. On formation of the unified school district, the governing board
4 consists of the members of the former school district governing boards and
5 the members shall hold office until January 1 following the first general
6 election after formation of the district. For the purpose of all actions
7 that are necessary to operate the unified district for the next year, the
8 unified school district governing board is constituted and may conduct
9 meetings after the adoption of the unification resolutions prescribed by
10 subsection B of this section.

11 E. Beginning on January 1 following the first general election
12 after formation of the unified school district, the governing board shall
13 have five members. At the first general election after the formation of
14 the district, members shall be elected in the following manner:

15 1. The three candidates receiving the highest, the second highest
16 and the third highest number of votes shall be elected to four-year terms.

17 2. The two candidates receiving the fourth and fifth highest number
18 of votes shall be elected to two-year terms. Thereafter all offices shall
19 have four-year terms.

20 F. The new unified school district may appoint a resident of the
21 remaining common school district to serve as a nonvoting member of the
22 governing board to represent the interests of the high school pupils who
23 reside in the remaining common school district and who attend school in
24 the unified school district.

25 G. For the first year of operation, the unified school district
26 governing board shall prepare a consolidated budget based on the student
27 counts from the school districts comprising the unified school
28 district. The unified school district may budget for unification
29 assistance pursuant to section 15-912.01.

30 H. The governing board of the unified school district shall prepare
31 policies, curricula and budgets for the district. These policies shall
32 require that:

33 1. The base compensation of each certificated teacher for the first
34 year of operation of the new unified school district shall not be lower
35 than the certificated teacher's base compensation for the prior year in
36 the previously existing school districts.

37 2. The certificated teacher's years of employment in the previously
38 existing school districts shall be included in determining the teacher's
39 certificated years of employment in the new unified school district.

40 I. On formation of a unified school district, any existing override
41 authorization of the former high school district and the former common
42 school district or districts shall continue until expiration based on the
43 revenue control limit of the school district or districts that had
44 override authorization before unification. The unified school district
45 may request new override authorization for the budget year as provided in
46 section 15-481 based on the combined revenue control limit of the new
47 district after unification. If the unified school district's request for

1 override authorization is approved, it will replace any existing override
2 for the budget year.

3 J. The unified school district shall admit high school pupils who
4 reside in a common school district that was located within the boundaries
5 of the former high school district. For the purposes of determining
6 student count and for apportionment of state aid, the school membership of
7 these pupils is deemed to be enrollment in the unified school district.

8 K. All assets and liabilities of the unifying school districts
9 shall be transferred and assumed by the new unified school district. Any
10 existing bonded indebtedness of a common school district or a high school
11 district unifying pursuant to this section shall be assumed by the new
12 unified school district and shall be regarded as an indebtedness of the
13 new unified school district for the purpose of determining the debt
14 incurring authority of the district. Taxes for the payment of such bonded
15 indebtedness shall be levied on all taxable property in the new unified
16 school district, but nothing in this subsection shall be construed to
17 relieve from liability to taxation for the payment of all taxable property
18 of the former high school district if necessary to prevent a default in
19 the payment of any bonded indebtedness of the former high school district.
20 The residents of a common school district that does not unify shall not
21 vote in bond or override elections of the unified school district and
22 shall not be assessed taxes as a result of a bond or override election of
23 the unified school district.

24 L. If the remaining common school district had authorization for an
25 override as provided in section 15-481 or 15-482, the override
26 authorization continues for the remaining common school district or
27 districts in the same manner as before the formation of the unified school
28 district.

29 M. The bonding authorization and bonding limitations continue for
30 the remaining common school district or districts in the same manner as
31 before the formation of the unified school district.

32 N. This section does not relieve a school district formed pursuant
33 to section 15-457 or 15-458 of its liability for any outstanding bonded
34 indebtedness.

35 O. For school districts that become unified after July 1, 2004 and
36 where all of the common schools were eligible for the small school
37 district weight pursuant to section 15-943, paragraph 1, subdivision (a)
38 when computing their base support level and base revenue control limit
39 before unification, the unified school district may continue to use the
40 small school district weight as follows:

41 1. Annually determine the common school student count and the
42 weighted student count pursuant to section 15-943, paragraph 1,
43 subdivision (a) for each common school district before unification.

44 2. Calculate the sum of the common school districts' student counts
45 and weighted student counts determined in paragraph 1 of this subsection.

46 3. Divide the sum of the weighted student counts by the sum of the
47 student counts determined in paragraph 2 of this subsection.

1 4. The amount determined in paragraph 3 of this subsection shall be
2 the weight for the common schools in the unified school district.

3 P. A unified school district may calculate its revenue control
4 limit and district support level by using subsection O of this section as
5 follows:

6 1. Determine the number of individual school districts that existed
7 before unification into a single school district.

8 2. Multiply the amount determined in paragraph 1 of this subsection
9 by six hundred.

10 3. Multiply the amount determined in paragraph 2 of this subsection
11 by 0.80.

12 4. If the amount determined in paragraph 3 of this subsection
13 exceeds the student count of the unified school district, the unified
14 school district is eligible to use subsection O of this section.

15 Q. Subsections O and P of this section shall remain in effect until
16 the aggregate student count of the common school districts before
17 unification exceeds the aggregate number of students of the common school
18 districts before unification authorized to utilize section 15-943,
19 paragraph 1, subdivision (a).

20 Sec. 3. Section 15-459, Arizona Revised Statutes, is amended to
21 read:

22 15-459. Consolidation of districts; petition; election;
23 notice; report; ballots; canvass of votes;
24 governing board

25 A. On the request of the governing boards of two or more school
26 districts in the same county or in adjacent counties or on receipt of
27 petitions bearing the signatures of ten percent or more of the number of
28 qualified electors who voted in whichever of the last two general
29 elections resulted in the higher number of ballots cast and who reside in
30 each of two or more school districts in the same county or in adjacent
31 counties to consolidate the school districts or parts of the districts,
32 the county school superintendent of each of the counties affected, within
33 ten days, shall call an election to determine the question on
34 consolidation.

35 B. Consolidations allowed pursuant to subsection A of this section
36 include:

37 1. To change the boundaries of a school district to include any
38 part of an adjacent school district.

39 2. If all the common school districts within the boundaries of an
40 existing union high school district desire to consolidate into one common
41 school district.

42 3. If two or more adjacent school districts of the same type, both
43 or all being common, union high or unified school districts, desire to
44 consolidate into one common, union high or unified school district.

45 4. If a common school district that is not a part of a union high
46 school district desires to consolidate with an adjacent unified school
47 district.

1 5. If two or more common school districts desire to consolidate
2 into one school district and unify the consolidated district with a union
3 high school district to form one unified school district.

4 6. To change the boundaries of a school district that has received
5 a letter grade of A or B pursuant to section 15-241 to include another
6 school district within twenty miles.

7 C. If a school district provides only financing for pupils who are
8 instructed by another school district in the same county or in an adjacent
9 county, the school district or any part of the school district may be
10 consolidated with the school district providing the instructional program
11 as follows:

12 1. The governing board of the financing school district approves
13 the consolidation or ten percent of the qualified electors residing in the
14 school district, or that part of the school district proposed for
15 consolidation, petitions the county school superintendent to call an
16 election to approve the proposed consolidation.

17 2. At an election called by the county school superintendent of
18 each of the counties affected, a majority of the persons voting in the
19 school district, or that part of the school district providing financing,
20 approve the proposed consolidation and a majority of the persons voting in
21 the district providing instruction approve the proposed consolidation.

22 D. Elections held as provided in subsection C of this section shall
23 be conducted in the same manner as elections prescribed in subsections F
24 through J of this section and shall be held concurrently as prescribed in
25 section 15-458.

26 E. Sections 15-457, 15-975 and 15-997 apply to school districts
27 that are consolidated as provided in subsection C of this section.

28 F. Notice of the election to determine consolidation of school
29 districts shall be posted in at least three public places in each of the
30 school districts proposed to be consolidated at least ninety days before
31 the election.

32 G. The county school superintendent shall prepare and the governing
33 board shall distribute a report on the proposed boundary changes in a
34 manner similar to that prescribed in section 15-481, subsection B. The
35 report shall contain the following information:

36 1. The date of the election.

37 2. The polling places and times they are open.

38 3. The full cash value, the assessed valuation and the estimated
39 amount of the primary property taxes and the estimated amount of the
40 secondary property taxes under the proposed boundary changes for each of
41 the following:

42 (a) An owner-occupied residence whose assessed valuation is the
43 average assessed valuation of property classified as class three, as
44 prescribed by section 42-12003 for the current year in the school
45 district.

1 (b) An owner-occupied residence whose assessed valuation is
2 one-half of the assessed valuation of the residence in subdivision (a) of
3 this paragraph.

4 (c) An owner-occupied residence whose assessed valuation is twice
5 the assessed valuation of the residence in subdivision (a) of this
6 paragraph.

7 (d) A business whose assessed valuation is the average of the
8 assessed valuation of property classified as class one, as prescribed by
9 section 42-12001, ~~paragraphs~~ PARAGRAPH 12 ~~and 13~~ for the current year in
10 the school district.

11 4. A consolidation plan to include:

12 (a) The proposed boundary changes.

13 (b) The impact of the proposed boundary changes, including where
14 pupils will attend school, changes in pupil transportation services,
15 changes in availability of special education services, changes in
16 pupil-teacher ratio and operational costs.

17 (c) If subsection P of this section applies to one or more of the
18 existing school districts, a detailed description of desegregation funding
19 and expenses for the resulting school district as set forth in subsection
20 P of this section.

21 (d) Any other information the county school superintendent deems
22 appropriate to include.

23 H. Ballots shall be prepared by the county school superintendent,
24 shall be delivered to the inspector at least forty-eight hours before the
25 opening of the polls as prescribed in section 16-509 and shall contain the
26 information prescribed in subsection G, paragraph 3 of this section and
27 the following statement: "Do you support consolidation under the
28 specified provisions of the consolidation plan? Yes () No ()." If the
29 election is to simultaneously consolidate and unify two or more common
30 school districts, the ballot shall contain: "Do you support the
31 consolidation of the (insert names of common school districts) and the
32 subsequent unification of the consolidated districts with the (insert
33 name of union high school district) to form one unified school district
34 under the consolidation and unification plan? Yes () No ()."

35 I. The county school superintendent shall hold the election during
36 the fiscal year preceding the fiscal year consolidation is proposed to be
37 effective on a date prescribed by section 16-204. The election shall be
38 held in the manner and electors shall possess qualifications as prescribed
39 for the election of governing board members. The results of the election
40 shall be reported to the county school superintendent.

41 J. The county school superintendent and the chairman of the board
42 of supervisors, on the seventh day after the election, shall canvass the
43 vote. If a majority of the votes cast in each district approved the
44 consolidation, the districts are consolidated and become one district from
45 and after June 30 next following the election. If parts of two or more
46 school districts are proposed to be consolidated, a majority of the voters
47 in the part of a school district or districts not included in the proposed

1 consolidation and a majority of the voters in the part of the school
2 district or districts proposed for consolidation must approve the
3 consolidation.

4 K. If the consolidated district includes territory located in two
5 or more counties, the county of jurisdiction is the county in which the
6 largest number of qualified electors of the consolidated school district
7 resides, except that if all of the existing school buildings are in one
8 county, that county is the county of jurisdiction. The county school
9 superintendent of the jurisdictional county shall perform all duties for
10 and with respect to the consolidated school district as required to be
11 performed by county school superintendents. The board of supervisors of
12 the jurisdictional county shall perform all duties for and with respect to
13 the consolidated school district as required to be performed by boards of
14 supervisors, except that school district taxes to be levied on property in
15 the portion of the consolidated school district lying in another county
16 shall be levied by the board of supervisors of the other county or
17 counties and on receipt shall be transferred to the county of
18 jurisdiction. All school buildings located within the consolidated school
19 district, together with all equipment and furnishings, become the property
20 of the consolidated school district. Any assumed indebtedness is an
21 indebtedness of the consolidated school district for the purpose of
22 determining the debt incurring authority of the consolidated school
23 district.

24 L. Consolidation pursuant to this section is not allowed if the
25 resulting school district would have a student count for the current year
26 of more than ten percent of the total student count of all school
27 districts in this state.

28 M. The governing board is constituted, may conduct meetings and
29 shall prepare policies, curricula and budgets for the new school district
30 after the canvass pursuant to subsection J of this section demonstrates
31 that a majority of the votes cast in each school district approved the
32 consolidation. These policies shall require that:

33 1. The base salary and benefits of each employee for the first year
34 of operation of the new school district shall not be lower than the
35 employee's base salary and benefits for the prior year in the previously
36 existing school district.

37 2. The employee's years of employment in the previously existing
38 school district shall be included in determining the employee's years of
39 employment in the new school district. An employee who was entitled to
40 continuing employment contract status in the previously existing school
41 district is entitled to continuing employment contract status in the new
42 school district.

43 3. Notwithstanding paragraphs 1 and 2 of this subsection and
44 pursuant to section 15-544, this section does not restrict the ability of
45 the governing board to implement a reduction in force or to scale back
46 salaries of certified teachers, administrators or noncertificated

1 employees for reasons of economy or to improve the efficient conduct of
2 schools within the district following a school district consolidation.

3 N. If all of the districts to be consolidated have authorization
4 for an override as provided in section 15-481 that would have continued
5 after the consolidation, the override authorization continues for the new
6 district and expires at the time that the earliest override would have
7 expired.

8 O. If one or more, but not all, of the districts to be consolidated
9 have authorization for an override as provided in section 15-481 that
10 would have continued after the consolidation, the override authorization
11 shall only apply to the schools included under the terms of the prior
12 override authorization. Consolidation of school districts does not
13 consolidate or pool the liability to be taxed for the override, and only
14 property that was located within the boundaries of the district that
15 approved the override before consolidation is to pay taxes to support the
16 override. This subsection also applies if all of the districts to be
17 consolidated have authorization for overrides, but the authorizations are
18 pursuant to different subsections of section 15-481 or the override
19 amounts are not the same percentage of the revenue control limit.

20 P. Notwithstanding section 15-457, consolidation of school
21 districts does not consolidate or pool the liability of the former school
22 districts into the resulting school district. Outstanding indebtedness
23 incurred by a school district before consolidation shall be repaid without
24 interruption according to existing debt schedules as determined by the
25 county board of supervisors. If a school district consolidates after
26 July 1, 2004, the new school district may pay tuition to the district of
27 attendance when a pupil is precluded by distance or lack of transportation
28 from attending school in the district of a pupil's residence.

29 Q. If one or more of the previously existing school districts were
30 authorized to budget for expenses of complying with or continuing to
31 implement activities that were required or permitted by court order of
32 desegregation or administrative agreement with the United States
33 department of education office for civil rights directed toward
34 remediating alleged or proven racial discrimination pursuant to section
35 15-910, this authorization does not expire on the effective date of
36 consolidation but only applies to schools included in the court order or
37 administrative agreement.

38 R. If the formation of a new consolidated and unified school
39 district is authorized, the terms of the governing board members of the
40 common and union high school districts do not expire on the effective date
41 of the unification. The governing board members of the previously
42 existing school districts shall serve as provided in section 15-430,
43 except that the power of the governing board members of the previously
44 existing school districts acting as the governing board of the unified
45 school district is limited to the maintenance and operation of the
46 previously existing school districts and compliance with the consolidation
47 and unification plan.

1 Sec. 4. Section 15-481, Arizona Revised Statutes, is amended to
2 read:

3 15-481. Override election: budget increases: informational
4 pamphlet: notice: ballot: effect

5 A. If a proposed budget of a school district exceeds the aggregate
6 budget limit for the budget year, at least ninety days before the proposed
7 election the governing board shall order an override election to be held
8 on the first Tuesday following the first Monday in November as prescribed
9 by section 16-204, subsection F for the purpose of presenting the proposed
10 budget to the qualified electors of the school district who by a majority
11 of those voting either shall affirm or reject the budget. At the same
12 time as the order of the election, the governing board shall publicly
13 declare the deadline for submitting arguments, as set by the county school
14 superintendent pursuant to subsection B, paragraph 9 of this section, to
15 be submitted in the informational pamphlet and shall immediately post the
16 deadline in a prominent location on the district's website. In addition,
17 the governing board shall prepare an alternate budget that does not
18 include an increase in the budget of more than the amount allowed as
19 provided in section 15-905. If the qualified electors approve the
20 proposed budget, the governing board of the school district shall follow
21 the procedures prescribed in section 15-905 for adopting a budget that
22 includes the authorized increase. If the qualified electors disapprove
23 the proposed budget, the governing board shall follow the procedures
24 prescribed in section 15-905 for adopting a budget that does not include
25 the proposed increase or the portion of the proposed increase that exceeds
26 the amount authorized by a previously approved budget increase as
27 prescribed in subsection P of this section.

28 B. The county school superintendent shall prepare an informational
29 pamphlet on the proposed increase in the budget and a sample ballot and,
30 at least forty days before the election, shall transmit the informational
31 pamphlet and the sample ballot to the governing board of the school
32 district. The governing board, on receipt of the informational pamphlet
33 and the ballot, shall mail or distribute the informational pamphlet and
34 the ballot to the households in which qualified electors reside within the
35 school district at least thirty-five days before the election. Any
36 distribution of material concerning the proposed increase in the budget
37 shall not be conducted by children enrolled in the school district. The
38 informational pamphlet shall contain the following information:

- 39 1. The date of the election.
- 40 2. The voter's polling place and the times it is open.
- 41 3. The proposed total increase in the budget that exceeds the
42 amount allowed pursuant to section 15-905.
- 43 4. The total amount of the current year's budget, the total amount
44 of the proposed budget and the total amount of the alternate budget.
- 45 5. If the override is for a period of more than one year, a
46 statement indicating the number of years the proposed increase in the
47 budget would be in effect and the percentage of the school district's

1 revenue control limit that the district is requesting for the future
2 years.

3 6. The proposed total amount of revenues that will fund the
4 increase in the budget and the amount that will be obtained from a levy of
5 taxes on the taxable property within the school district for the first
6 year for which the budget increase was adopted.

7 7. The proposed amount of revenues that will fund the increase in
8 the budget and that will be obtained from other than a levy of taxes on
9 the taxable property within the school district for the first year for
10 which the budget increase was adopted.

11 8. The dollar amount and the purpose for which the proposed
12 increase in the budget is to be expended for the first year for which the
13 budget increase was adopted. The purpose statement shall only present
14 factual information in a neutral manner. Advocacy for the expenditures is
15 strictly limited to the arguments submitted pursuant to paragraph 9 of
16 this subsection.

17 9. At least two arguments, if submitted, but not more than ten
18 arguments for and two arguments, if submitted, but not more than ten
19 arguments against the proposed increase in the budget. The arguments
20 shall be in a form prescribed by the county school superintendent, and
21 each argument shall not exceed two hundred words. Arguments for the
22 proposed increase in the budget shall be provided in writing and signed by
23 the governing board. The ballot arguments for the proposed increase in
24 the budget shall be signed as the governing board of the school district
25 without listing any member's individual name for the arguments for the
26 proposed increase. If submitted, additional arguments in favor of the
27 proposed increase in the budget shall be provided in writing with a
28 signed, sworn statement by those in favor. Arguments against the proposed
29 increase in the budget shall be provided in writing with a signed, sworn
30 statement by those in opposition. If the argument is submitted by an
31 organization, it shall contain the sworn statement of two executive
32 officers of the organization. If the argument is submitted by a political
33 committee, it shall contain the sworn statement of the committee's
34 chairperson or treasurer. If the argument is submitted by an individual
35 and not on behalf of an organization, a political committee or any other
36 group, the ~~person~~ INDIVIDUAL shall submit the argument with a sworn,
37 notarized statement. The names of persons and entities submitting written
38 arguments shall be included in the informational pamphlet. Persons
39 signing the argument shall identify themselves by giving their residence
40 address and telephone number, which may not appear in the informational
41 pamphlet, except that the person's city or town and state of residence
42 shall appear in the pamphlet. Any argument that is submitted and that
43 does not comply with this paragraph may not be included in the pamphlet.
44 The county school superintendent shall review all factual statements
45 contained in the written arguments and correct any inaccurate statements
46 of fact. The superintendent shall not review and correct any portion of
47 the written arguments that are identified as statements of the author's

1 opinion. The county school superintendent shall make the written
2 arguments available to the public as provided in title 39, chapter 1,
3 article 2. A deadline for submitting arguments to be included in the
4 informational pamphlet shall be set by the county school superintendent.

5 10. A statement that the alternate budget shall be adopted by the
6 governing board if the proposed budget is not adopted by the qualified
7 electors of the school district.

8 11. The current limited property value and the net assessed
9 valuation provided by the department of revenue, the first year tax rate
10 for the proposed override and the estimated amount of the secondary
11 property taxes if the proposed budget is adopted for each of the
12 following:

13 (a) An owner-occupied residence whose assessed valuation is the
14 average assessed valuation of property classified as class three, as
15 prescribed by section 42-12003 for the current year in the school
16 district.

17 (b) An owner-occupied residence whose assessed valuation is
18 one-half of the assessed valuation of the residence in subdivision (a) of
19 this paragraph.

20 (c) An owner-occupied residence whose assessed valuation is twice
21 the assessed valuation of the residence in subdivision (a) of this
22 paragraph.

23 (d) A business whose assessed valuation is the average of the
24 assessed valuation of property classified as class one, as prescribed by
25 section 42-12001, ~~paragraphs~~ PARAGRAPH 12 ~~and 13~~ for the current year in
26 the school district.

27 12. If the election is conducted pursuant to subsection L or M of
28 this section, the following information:

29 (a) An executive summary of the school district's most recent
30 capital improvement plan submitted to the school facilities oversight
31 board.

32 (b) A complete list of each proposed capital improvement that will
33 be funded with the budget increase and a description of the proposed cost
34 of each improvement, including a separate aggregation of capital
35 improvements for administrative purposes as defined by the school
36 facilities oversight board.

37 (c) The tax rate associated with each of the proposed capital
38 improvements and the estimated cost of each capital improvement for the
39 owner of a single family home that is valued at \$80,000.

40 C. For the purpose of this section, the school district may use its
41 staff, equipment, materials, buildings or other resources only to
42 distribute the informational pamphlet at the school district office or at
43 public hearings and to produce such information as required in subsection
44 B of this section. This subsection does not preclude school districts
45 from holding or participating in any public hearings at which testimony is
46 given by at least one person for the proposed increase and one person
47 against the proposed increase. Any written information provided by the

1 district pertaining to the override election shall include financial
2 information showing the estimated first year tax rate for the proposed
3 budget override amount.

4 D. If any amount of the proposed increase will be funded by a levy
5 of taxes in the district, the election prescribed in subsection A of this
6 section shall be held on the first Tuesday following the first Monday in
7 November as prescribed by section 16-204, subsection F. If the proposed
8 increase will be fully funded by revenues from other than a levy of taxes,
9 the elections prescribed in subsection A of this section shall be held on
10 any date prescribed by section 16-204. The elections shall be conducted
11 as nearly as practicable in the manner prescribed in article 1 of this
12 chapter, ~~AND~~ sections 15-422, ~~through~~ 15-423, 15-424 and ~~section~~ 15-426,
13 relating to special elections, except that:

14 1. The notices required pursuant to section 15-403 shall be posted
15 not less than twenty-five days before the election.

16 2. Ballots shall be counted pursuant to title 16, chapter 4,
17 article 10.

18 E. If the election is to exceed the revenue control limit and if
19 the proposed increase will be fully funded by a levy of taxes on the
20 taxable property within the school district, the ballot shall contain the
21 words "budget increase, yes" and "budget increase, no", and the voter
22 shall signify the voter's desired choice. The ballot shall also contain
23 the amount of the proposed increase of the proposed budget over the
24 alternate budget, a statement that the amount of the proposed increase
25 will be based on a percentage of the school district's revenue control
26 limit in future years, if applicable, as provided in subsection P of this
27 section and the following statement:

28 Any budget increase authorized by this election shall be
29 entirely funded by a levy of taxes on the taxable property
30 within this school district for the year for which adopted and
31 for ____ subsequent years, shall not be realized from monies
32 furnished by the state and shall not be subject to the
33 limitation on taxes specified in article IX, section 18,
34 Constitution of Arizona. Based on the current net assessed
35 valuation used for secondary property tax purposes, to fund
36 the proposed increase in the school district's budget would
37 require an estimated tax rate of \$_____ per \$100 of
38 net assessed valuation used for secondary property tax
39 purposes and is in addition to the school district's tax rate
40 that will be levied to fund the school district's revenue
41 control limit allowed by law.

42 F. If the election is to exceed the revenue control limit and if
43 the proposed increase will be fully funded by revenues from other than a
44 levy of taxes on the taxable property within the school district, the
45 ballot shall contain the words "budget increase, yes" and "budget
46 increase, no", and the voter shall signify the voter's desired choice.
47 The ballot shall also contain:

1 1. The amount of the proposed increase of the proposed budget over
2 the alternate budget.

3 2. A statement that the amount of the proposed increase will be
4 based on a percentage of the school district's revenue control limit in
5 future years, if applicable, as provided in subsection P of this section.

6 3. The following statement:

7 Any budget increase authorized by this election shall be
8 entirely funded by this school district with revenues from
9 other than a levy of taxes on the taxable property within the
10 school district for the year for which adopted and for _____
11 subsequent years and shall not be realized from monies
12 furnished by the state.

13 G. Except as provided in subsection H of this section, the maximum
14 budget increase that may be requested and authorized as provided in
15 subsection E or F of this section or the combination of subsections E and
16 F of this section is fifteen percent of the revenue control limit as
17 provided in section 15-947, subsection A for the budget year. If a school
18 district requests an override pursuant to section 15-482 or to continue
19 with a budget override pursuant to section 15-482 for pupils in
20 kindergarten programs and grades one through three that was authorized
21 before December 31, 2008, the maximum budget increase that may be
22 requested and authorized as provided in subsection E or F of this section
23 or the combination of subsections E and F of this section is ten percent
24 of the revenue control limit as provided in section 15-947, subsection A
25 for the budget year.

26 H. Special budget override provisions for school districts with a
27 student count of less than one hundred fifty-four in kindergarten programs
28 and grades one through eight or with a student count of less than one
29 hundred seventy-six in grades nine through twelve are as follows:

30 1. The maximum budget increase that may be requested and authorized
31 as provided in subsections E and F of this section is the greater of the
32 amount prescribed in subsection G of this section or a limit computed as
33 follows:

34 (a) For common or unified districts with a student count of less
35 than one hundred fifty-four in kindergarten programs and grades one
36 through eight, the limit computed as prescribed in item (i) or (ii) of
37 this subdivision, whichever is appropriate:

38 (i)

| | | | | |
|----|--------------------|-------------------------|-------------------------|---------------|
| 39 | Small School | Support Level Weight | | Phase Down |
| 40 | Student | for Small Isolated | | Reduction |
| 41 | <u>Count</u> | <u>School Districts</u> | <u>Base Level</u> | <u>Factor</u> |
| 42 | _____ - <u>125</u> | x 1.358 + (0.0005 x | x \$ _____ | = \$ _____ |
| 43 | | (500 - Student Count)) | | |
| 44 | | | Small Isolated | |
| 45 | Phase Down | Phase Down | School District | |
| 46 | <u>Base</u> | <u>Reduction Factor</u> | <u>Elementary Limit</u> | |
| 47 | \$150,000 - | \$ _____ | = \$ _____ | |

1 (ii)

2 Small School Support Level Weight Phase Down
3 Student Student for Small Reduction
4 Count Count Limit School Districts Base Level Factor

5 _____ - 125 x 1.278 + (0.0003 x x \$ _____ = \$ _____
6 (500 - Student Count))

7 Small
8 Phase Down Phase Down School District
9 Base Reduction Factor Elementary Limit

10 \$150,000 - \$ _____ = \$ _____

11 (b) For unified or union high school districts with a student count
12 of less than one hundred seventy-six in grades nine through twelve, the
13 limit computed as prescribed in item (i) or (ii) of this subdivision,
14 whichever is appropriate:

15 (i)

16 Small School Support Level Weight Phase Down
17 Student Student for Small Isolated Reduction
18 Count Count Limit School Districts Base Level Factor

19 _____ - 100 x 1.468 + (0.0005 x x \$ _____ = \$ _____
20 (500 - Student Count))

21 Small Isolated
22 Phase Down Phase Down District
23 Base Reduction Factor Secondary Limit
24 \$350,000 - \$ _____ = \$ _____

25 (ii)

26 Small School Support Level Weight Phase Down
27 Student Student for Small Reduction
28 Count Count Limit School Districts Base Level Factor

29 _____ - 100 x 1.398 + (0.0004 x x \$ _____ = \$ _____
30 (500 - Student Count))

31 Small
32 Phase Down Phase Down School District
33 Base Reduction Factor Secondary Limit
34 \$350,000 - \$ _____ = \$ _____

35 (c) If both subdivisions (a) and (b) of this paragraph apply to a
36 unified school district, its limit for the purposes of this paragraph is
37 the combination of its elementary limit and its secondary limit.

38 (d) If only subdivision (a) or (b) of this paragraph applies to a
39 unified school district, the district's limit for the purposes of this
40 paragraph is the sum of the limit computed as provided in subdivision (a)
41 or (b) of this paragraph plus ten percent of the revenue control limit
42 attributable to those grade levels that do not meet the eligibility
43 requirements of this subsection. If a school district budgets monies
44 outside the revenue control limit pursuant to section 15-949, subsection
45 E, the district's limit for the purposes of this paragraph is only the ten
46 percent of the revenue control limit attributable to those grade levels
47 that are not included under section 15-949, subsection E. For the

1 purposes of this subdivision, the revenue control limit is separated into
2 elementary and secondary components based on the weighted student count as
3 provided in section 15-971, subsection B, paragraph 2, subdivision (a).

4 2. If a school district utilizes this subsection to request an
5 override of more than one year, the ballot shall include an estimate of
6 the amount of the proposed increase in the future years in place of the
7 statement that the amount of the proposed increase will be based on a
8 percentage of the school district's revenue control limit in future years,
9 as prescribed in subsections E and F of this section.

10 3. Notwithstanding subsection P of this section, the maximum period
11 of an override authorized pursuant to this subsection is five years.

12 4. Subsection P, paragraphs 1 and 2 of this section do not apply to
13 overrides authorized pursuant to this subsection.

14 I. If the election is to exceed the revenue control limit as
15 provided in section 15-482 and if the proposed increase will be fully
16 funded by a levy of taxes on the taxable property within the school
17 district, the ballot shall contain the words "budget increase, yes" and
18 "budget increase, no", and the voter shall signify the voter's desired
19 choice. The ballot shall also contain the amount of the proposed increase
20 of the budget over the alternate budget, a statement that the amount of
21 the proposed increase will be based on a percentage of the school
22 district's revenue control limit in future years, if applicable, as
23 provided in subsection Q of this section, and the following statement:

24 Any budget increase authorized by this election shall be
25 entirely funded by a levy of taxes on the taxable property
26 within this school district for the year for which adopted and
27 for _____ subsequent years, shall not be realized from monies
28 furnished by the state and shall not be subject to the
29 limitation on taxes specified in article IX, section 18,
30 Constitution of Arizona. Based on the current net assessed
31 valuation used for secondary property tax purposes, to fund
32 the proposed increase in the school district's budget that
33 will be funded by a levy of taxes on the taxable property
34 within this school district would require an estimated tax
35 rate of \$_____ per \$100 of net assessed valuation used
36 for secondary property tax purposes and is in addition to the
37 school district's tax rate that will be levied to fund the
38 school district's revenue control limit allowed by law.

39 J. If the election is to exceed the revenue control limit as
40 provided in section 15-482 and if the proposed increase will be fully
41 funded by revenues other than a levy of taxes on the taxable property
42 within the school district, the ballot shall contain the words "budget
43 increase, yes" and "budget increase, no", and the voter shall signify the
44 voter's desired choice. The ballot shall also contain the amount of the
45 proposed increase of the proposed budget over the alternate budget, a
46 statement that the amount of the proposed increase will be based on a
47 percentage of the school district's revenue control limit in future years,

1 if applicable, as provided in subsection Q of this section and the
2 following statement:

3 Any budget increase authorized by this election shall be
4 entirely funded by this school district with revenues from
5 other than a levy of taxes on the taxable property within the
6 school district for the year for which adopted and for ____
7 subsequent years and shall not be realized from monies
8 furnished by the state.

9 K. The maximum budget increase that may be requested and authorized
10 as provided in subsection I or J of this section, or a combination of both
11 of these subsections, is five percent of the revenue control limit as
12 provided in section 15-947, subsection A for the budget year. For a
13 common school district not within a high school district or a common
14 school district within a high school district that offers instruction in
15 high school subjects as provided in section 15-447, five percent of the
16 revenue control limit means five percent of the revenue control limit
17 attributable to the weighted student count in preschool programs for
18 children with disabilities, kindergarten programs and grades one through
19 eight as provided in section 15-971, subsection B. For a unified school
20 district, five percent of the revenue control limit means five percent of
21 the revenue control limit attributable to the weighted student count in
22 preschool programs for children with disabilities, kindergarten programs
23 and grades one through twelve. For a union high school district, five
24 percent of the revenue control limit means five percent of the revenue
25 control limit attributable to the weighted student count in grades nine
26 through twelve.

27 L. If the election is to exceed district additional assistance and
28 if the proposed increase will be fully funded by a levy of taxes on the
29 taxable property within the school district, the ballot shall contain the
30 words "budget increase, yes" and "budget increase, no", and the voter
31 shall signify the voter's desired choice. An election held pursuant to
32 this subsection shall be held on the first Tuesday after the first Monday
33 of November. The ballot shall also contain the amount of the proposed
34 increase of the proposed budget over the alternate budget and the
35 following statement:

36 Any budget increase authorized by this election shall be
37 entirely funded by a levy of taxes on the taxable property
38 within this school district for the year in which adopted and
39 for ____ subsequent years, shall not be realized from monies
40 furnished by the state and shall not be subject to the
41 limitation on taxes specified in article IX, section 18,
42 Constitution of Arizona. Based on the current net assessed
43 valuation used for secondary property tax purposes, to fund
44 the proposed increase in the school district's budget would
45 require an estimated tax rate of \$_____ per \$100 of net
46 assessed valuation used for secondary property tax purposes
47 and is in addition to the school district's tax rate that will

1 be levied to fund the school district's district additional
2 assistance allowed by law.

3 M. If the election is to exceed district additional assistance and
4 if the proposed increase will be fully funded by revenues from other than
5 a levy of taxes on the taxable property within the school district, the
6 ballot shall contain the words "budget increase, yes" and "budget
7 increase, no", and the voter shall signify the voter's desired choice. An
8 election held pursuant to this subsection shall be held on the first
9 Tuesday after the first Monday of November. The ballot shall also contain
10 the amount of the proposed increase of the proposed budget over the
11 alternate budget and the following statement:

12 Any budget increase authorized by this election shall be
13 entirely funded by this school district with revenues from
14 other than a levy of taxes on the taxable property within the
15 school district for the year in which adopted and for _____
16 subsequent years and shall not be realized from monies
17 furnished by the state.

18 N. If the election is to exceed a combination of the revenue
19 control limit as provided in subsection E or F of this section, the
20 revenue control limit as provided in subsection I or J of this section or
21 district additional assistance as provided in subsection L or M of this
22 section, the ballot shall be prepared so that the voters may vote on each
23 proposed increase separately and shall contain statements required in the
24 same manner as if each proposed increase were submitted separately.

25 O. If the election provides for a levy of taxes on the taxable
26 property within the school district, at least thirty days before the
27 election, the department of revenue shall provide the school district
28 governing board and the county school superintendent with the current net
29 assessed valuation of the school district. The governing board and the
30 county school superintendent shall use the current net assessed valuation
31 of the school district to translate the amount of the proposed dollar
32 increase in the budget of the school district over that allowed by law
33 into a tax rate figure.

34 P. If the voters in a school district vote to adopt a budget in
35 excess of the revenue control limit as provided in subsection E or F of
36 this section, any additional increase shall be included in the aggregate
37 budget limit for each of the years authorized. Any additional increase
38 shall be excluded from the determination of equalization assistance. The
39 school district governing board, however, may levy on the net assessed
40 valuation used for secondary property tax purposes of the property in the
41 school district the additional increase if adopted under subsection E of
42 this section for the period of one year, two years or five through seven
43 years as authorized. If an additional increase is approved as provided in
44 subsection F of this section, the school district governing board may only
45 use revenues derived from the school district's prior year's maintenance
46 and operation fund ending cash balance to fund the additional increase.
47 If a budget increase was previously authorized and will be in effect for

1 the budget year or budget year and subsequent years, as provided in
2 subsection E or F of this section, the governing board may request a new
3 budget increase as provided in the same subsection under which the prior
4 budget increase was adopted, which shall not exceed the maximum amount
5 allowed under subsection G of this section. If the voters in the school
6 district authorize the new budget increase amount, the existing budget
7 increase no longer is in effect. If the voters in the school district do
8 not authorize the budget increase amount, the existing budget increase
9 remains in effect for the time period for which it was authorized. The
10 maximum additional increase authorized as provided in subsection E or F of
11 this section and the additional increase that is included in the aggregate
12 budget limit is based on a percentage of a school district's revenue
13 control limit in future years, if the budget increase is authorized for
14 more than one year. If the additional increase:

15 1. Is for two years, the proposed increase in the second year is
16 equal to the initial proposed percentage increase.

17 2. Is for five years or more, the proposed increase is equal to the
18 initial proposed percentage increase in the following years of the
19 proposed increase, except that in the next to last year it is two-thirds
20 of the initial proposed percentage increase and it is one-third of the
21 initial proposed percentage increase in the last year of the proposed
22 increase.

23 Q. If the voters in a school district vote to adopt a budget in
24 excess of the revenue control limit as provided in subsection I or J of
25 this section, any additional increase shall be included in the aggregate
26 budget limit for each of the years authorized. Any additional increase
27 shall be excluded from the determination of equalization assistance. The
28 school district governing board, however, may levy on the net assessed
29 valuation used for secondary property tax purposes of the property in the
30 school district the additional increase if adopted under subsection I of
31 this section for the period of one year, two years or five through seven
32 years as authorized. If an additional increase is approved as provided in
33 subsection J of this section, the increase may only be budgeted and
34 expended if sufficient monies are available in the maintenance and
35 operation fund of the school district. If a budget increase was
36 previously authorized and will be in effect for the budget year or budget
37 year and subsequent years, as provided in subsection I or J of this
38 section, the governing board may request a new budget increase as provided
39 in the same subsection under which the prior budget increase was adopted
40 that does not exceed the maximum amount permitted under subsection K of
41 this section. If the voters in the school district authorize the new
42 budget increase amount, the existing budget increase no longer is in
43 effect. If the voters in the school district do not authorize the budget
44 increase amount, the existing budget increase remains in effect for the
45 time period for which it was authorized. The maximum additional increase
46 authorized as provided in subsection I or J of this section and the
47 additional increase that is included in the aggregate budget limit is

1 based on a percentage of a school district's revenue control limit in
2 future years, if the budget increase is authorized for more than one year.
3 If the additional increase:

4 1. Is for two years, the proposed increase in the second year is
5 equal to the initial proposed percentage increase.

6 2. Is for five years or more, the proposed increase is equal to the
7 initial proposed percentage increase in the following years of the
8 proposed increase, except that in the next to last year it is two-thirds
9 of the initial proposed percentage increase and it is one-third of the
10 initial proposed percentage increase in the last year of the proposed
11 increase.

12 R. If the voters in a school district vote to adopt a budget in
13 excess of district additional assistance as provided in subsection L of
14 this section, any additional increase shall be included in the aggregate
15 budget limit for each of the years authorized. The additional increase
16 shall be excluded from the determination of equalization assistance. The
17 school district governing board, however, may levy on the net assessed
18 valuation used for secondary property tax purposes of the property in the
19 school district the additional increase for the period authorized but not
20 to exceed ten years. For overrides approved by a vote of the qualified
21 electors of the school district at an election held from and after
22 October 31, 1998, the period of the additional increase prescribed in this
23 subsection shall not exceed seven years for any capital override election.

24 S. If the voters in a school district vote to adopt a budget in
25 excess of district additional assistance as provided in subsection M of
26 this section, any additional increase shall be included in the aggregate
27 budget limit for each of the years authorized. The additional increase
28 shall be excluded from the determination of equalization assistance. The
29 school district governing board may only use revenues derived from the
30 school district's prior year's maintenance and operation fund ending cash
31 balance and capital outlay fund ending cash balance to fund the additional
32 increase for the period authorized but not to exceed ten years. For
33 overrides approved by a vote of the qualified electors of the school
34 district at an election held from and after October 31, 1998, the period
35 of the additional increase prescribed in this subsection shall not exceed
36 seven years for any capital override election.

37 T. In addition to subsections P and S of this section, from the
38 maintenance and operation fund and capital outlay fund ending cash
39 balances, the school district governing board shall first use any
40 available revenues to reduce its primary tax rate to zero and shall use
41 any remaining revenues to fund the additional increase authorized as
42 provided in subsections F and M of this section.

43 U. If the voters in a school district disapprove the proposed
44 budget, the alternate budget that, except for any budget increase
45 authorized by a prior election, does not include an increase in the budget
46 in excess of the amount provided in section 15-905 shall be adopted by the
47 governing board as provided in section 15-905.

1 V. The governing board may request that any override election be
2 cancelled if any change in chapter 9 of this title changes the amount of
3 the aggregate budget limit as provided in section 15-905. The request to
4 cancel the override election shall be made to the county school
5 superintendent at least eighty days before the date of the scheduled
6 override election.

7 W. For any election conducted pursuant to subsection L or M of this
8 section:

9 1. The ballot shall include the following statement in addition to
10 any other statement required by this section:

11 The capital improvements that are proposed to be funded
12 through this override election are to exceed the state
13 standards and are in addition to monies provided by the state.
14 _____ school district is proposing to increase its
15 budget by \$_____ to fund capital improvements over and
16 above those funded by the state. Under the students first
17 capital funding system, _____ school district is entitled
18 to state monies for new construction and renovation of school
19 buildings in accordance with state law.

20 2. The ballot shall contain the words "budget increase, yes" and
21 "budget increase, no", and the voter shall signify the voter's desired
22 choice.

23 3. At least eighty-five days before the election, the school
24 district shall submit proposed ballot language to the director of the
25 Arizona legislative council. The director of the Arizona legislative
26 council shall review the proposed ballot language to determine whether the
27 proposed ballot language complies with this section. If the director of
28 the Arizona legislative council determines that the proposed ballot
29 language does not comply with this section, the director, within ten
30 calendar days after receiving the proposed ballot language, shall notify
31 the school district of the director's objections, and the school district
32 shall resubmit revised ballot language to the director for approval.

33 X. If the voters approve the budget increase pursuant to subsection
34 L or M of this section, the school district shall not use the override
35 proceeds for any purposes other than the proposed capital improvements
36 listed in the informational pamphlet, except that up to ten percent of the
37 override proceeds may be used for general capital expenses, including cost
38 overruns of proposed capital improvements.

39 Y. Each school district that currently increases its budget
40 pursuant to this section shall hold a public meeting each year between
41 September 1 and October 31 at which an update of the programs or capital
42 improvements financed through the override is discussed and at which the
43 public is allowed an opportunity to comment and:

44 1. If the increase is pursuant to subsection L or M of this
45 section, at a minimum, the update shall include the progress of capital
46 improvements financed through the override, a comparison of the current
47 status and the original projections on the construction of capital

1 improvements, the costs of capital improvements and the costs of capital
2 improvements in progress or completed since the prior meeting and the
3 future capital plans of the school district. The school district shall
4 include in the public meeting a discussion of the school district's use of
5 state capital aid and voter-approved bonding in funding capital
6 improvements, if any.

7 2. If the increase is pursuant to subsection E, F, I or J of this
8 section, the update shall include at a minimum the amount expended in the
9 previous fiscal year and the amount included in the current budget for
10 each of the purposes listed in the informational pamphlet prescribed by
11 subsection B of this section.

12 Z. If a budget in excess of district additional assistance was
13 previously adopted by the voters in a school district and will be in
14 effect for the budget year or budget year and subsequent years, as
15 provided in subsection L or M of this section, the governing board may
16 request an additional budget in excess of district additional assistance.
17 If the voters in a school district authorize the additional budget in
18 excess of district additional assistance, the existing district additional
19 assistance budget increase remains in effect.

20 AA. Notwithstanding any other law, the maximum budget increase that
21 may be authorized pursuant to subsection L or M of this section is ten
22 percent of the school district's revenue control limit.

23 BB. If the election is to continue to exceed the revenue control
24 limit and if the proposed override will be fully funded by a continuation
25 of a levy of taxes on the taxable property in the school district, the
26 ballot shall contain the words "budget override continuation, yes" and
27 "budget override continuation, no", and the voter shall signify the
28 voter's desired choice. The ballot shall also contain the amount of the
29 proposed continuation of the budget increase of the proposed budget over
30 the alternate budget, a statement that the amount of the proposed increase
31 will be based on a percentage of the school district's revenue control
32 limit in future years, if applicable, as provided in subsection P of this
33 section and the following statement:

34 Any budget increase continuation authorized by this
35 election shall be entirely funded by a levy of taxes on the
36 taxable property in this school district for the year for
37 which adopted and for _____ subsequent years, shall not be
38 realized from monies furnished by the state and shall not be
39 subject to the limitation on taxes specified in article IX,
40 section 18, Constitution of Arizona. Based on the current net
41 assessed valuation used for secondary property tax purposes,
42 to fund the proposed continuation of the increase in the
43 school district's budget would require an estimated
44 continuation of a tax rate of \$_____ per \$100 of
45 assessed valuation used for secondary property tax purposes
46 and is in addition to the school district's tax rate that will

1 be levied to fund the school district's revenue control limit
2 allowed by law.

3 CC. If the election is to continue to exceed the revenue control
4 limit as provided in section 15-482 and if the proposed override will be
5 fully funded by a continuation of a levy of taxes on the taxable property
6 in the school district, the ballot shall contain the words "budget
7 override continuation, yes" and "budget override continuation, no", and
8 the voter shall signify the voter's desired choice. The ballot shall also
9 contain the amount of the proposed continuation of the budget increase of
10 the proposed budget over the alternate budget, a statement that the amount
11 of the proposed increase will be based on a percentage of the school
12 district's revenue control limit in future years, if applicable, as
13 provided in subsection P of this section and the following statement:

14 Any budget increase continuation authorized by this
15 election shall be entirely funded by a levy of taxes on the
16 taxable property in this school district for the year for which
17 adopted and for _____ subsequent years, shall not be realized
18 from monies furnished by the state and shall not be subject to
19 the limitation on taxes specified in article IX, section 18,
20 Constitution of Arizona. Based on the current net assessed
21 valuation used for secondary property tax purposes, to fund the
22 proposed continuation of the increase in the school district's
23 budget would require an estimated continuation of a tax rate of
24 \$_____ per \$100 of net assessed valuation used for
25 secondary property tax purposes and is in addition to the
26 school district's tax rate that will be levied to fund the
27 school district's revenue control limit allowed by law.

28 Sec. 5. Section 42-5075, Arizona Revised Statutes, is amended to
29 read:

30 42-5075. Prime contracting classification: exemptions:
31 definitions

32 A. The prime contracting classification is comprised of the
33 business of prime contracting and the business of manufactured building
34 dealer. Sales for resale to another manufactured building dealer are not
35 subject to tax. Sales for resale do not include sales to a lessor of
36 manufactured buildings. The sale of a used manufactured building is not
37 taxable under this chapter. The prime contracting classification does not
38 include any work or operation performed by a person that is not required
39 to be licensed by the registrar of contractors pursuant to section
40 32-1121.

41 B. The tax base for the prime contracting classification is
42 sixty-five percent of the gross proceeds of sales or gross income derived
43 from the business. The following amounts shall be deducted from the gross
44 proceeds of sales or gross income before computing the tax base:

45 1. The sales price of land, which shall not exceed the fair market
46 value.

1 2. Sales and installation of groundwater measuring devices required
2 under section 45-604 and groundwater monitoring wells required by law,
3 including monitoring wells installed for acquiring information for a
4 permit required by law.

5 3. The sales price of furniture, furnishings, fixtures, appliances
6 and attachments that are not incorporated as component parts of or
7 attached to a manufactured building or the setup site. The sale of such
8 items may be subject to the taxes imposed by article 1 of this chapter
9 separately and distinctly from the sale of the manufactured building.

10 4. The gross proceeds of sales or gross income received from a
11 contract entered into for the modification of any building, highway, road,
12 railroad, excavation, manufactured building or other structure, project,
13 development or improvement located in a military reuse zone for providing
14 aviation or aerospace services or for a manufacturer, assembler or
15 fabricator of aviation or aerospace products within an active military
16 reuse zone after the zone is initially established or renewed under
17 section 42-1301. To be eligible to qualify for this deduction, before
18 beginning work under the contract, the prime contractor must have applied
19 for a letter of qualification from the department of revenue.

20 5. The gross proceeds of sales or gross income derived from a
21 contract to construct a qualified environmental technology manufacturing,
22 producing or processing facility, as described in section 41-1514.02, and
23 from subsequent construction and installation contracts that begin within
24 ten years after the start of initial construction. To qualify for this
25 deduction, before beginning work under the contract, the prime contractor
26 must obtain a letter of qualification from the department of revenue. This
27 paragraph shall apply for ten full consecutive calendar or fiscal years
28 after the start of initial construction.

29 6. The gross proceeds of sales or gross income from a contract to
30 provide for one or more of the following actions, or a contract for site
31 preparation, constructing, furnishing or installing machinery, equipment
32 or other tangible personal property, including structures necessary to
33 protect exempt incorporated materials or installed machinery or equipment,
34 and tangible personal property incorporated into the project, to perform
35 one or more of the following actions in response to a release or suspected
36 release of a hazardous substance, pollutant or contaminant from a facility
37 to the environment, unless the release was authorized by a permit issued
38 by a governmental authority:

39 (a) Actions to monitor, assess and evaluate such a release or a
40 suspected release.

41 (b) Excavation, removal and transportation of contaminated soil and
42 its treatment or disposal.

43 (c) Treatment of contaminated soil by vapor extraction, chemical or
44 physical stabilization, soil washing or biological treatment to reduce the
45 concentration, toxicity or mobility of a contaminant.

1 (d) Pumping and treatment or in situ treatment of contaminated
2 groundwater or surface water to reduce the concentration or toxicity of a
3 contaminant.

4 (e) The installation of structures, such as cutoff walls or caps,
5 to contain contaminants present in groundwater or soil and prevent them
6 from reaching a location where they could threaten human health or welfare
7 or the environment.

8 This paragraph does not include asbestos removal or the construction or
9 use of ancillary structures such as maintenance sheds, offices or storage
10 facilities for unattached equipment, pollution control equipment,
11 facilities or other control items required or to be used by a person to
12 prevent or control contamination before it reaches the environment.

13 7. The gross proceeds of sales or gross income that is derived from
14 a contract for the installation, assembly, repair or maintenance of
15 machinery, equipment or other tangible personal property that is either
16 deducted from the tax base of the retail classification under section
17 42-5061, subsection B or that is exempt from use tax under section
18 42-5159, subsection B and that has independent functional utility,
19 pursuant to the following provisions:

20 (a) The deduction provided in this paragraph includes the gross
21 proceeds of sales or gross income derived from all of the following:

22 (i) Any activity performed on machinery, equipment or other
23 tangible personal property with independent functional utility.

24 (ii) Any activity performed on any tangible personal property
25 relating to machinery, equipment or other tangible personal property with
26 independent functional utility in furtherance of any of the purposes
27 provided for under subdivision (d) of this paragraph.

28 (iii) Any activity that is related to the activities described in
29 items (i) and (ii) of this subdivision, including inspecting the
30 installation of or testing the machinery, equipment or other tangible
31 personal property.

32 (b) The deduction provided in this paragraph does not include gross
33 proceeds of sales or gross income from the portion of any contracting
34 activity that consists of the development of, or modification to, real
35 property in order to facilitate the installation, assembly, repair,
36 maintenance or removal of machinery, equipment or other tangible personal
37 property that is either deducted from the tax base of the retail
38 classification under section 42-5061, subsection B or exempt from use tax
39 under section 42-5159, subsection B.

40 (c) The deduction provided in this paragraph shall be determined
41 without regard to the size or useful life of the machinery, equipment or
42 other tangible personal property.

43 (d) For the purposes of this paragraph, "independent functional
44 utility" means that the machinery, equipment or other tangible personal
45 property can independently perform its function without attachment to real
46 property, other than attachment for any of the following purposes:

1 (i) Assembling the machinery, equipment or other tangible personal
2 property.

3 (ii) Connecting items of machinery, equipment or other tangible
4 personal property to each other.

5 (iii) Connecting the machinery, equipment or other tangible
6 personal property, whether as an individual item or as a system of items,
7 to water, power, gas, communication or other services.

8 (iv) Stabilizing or protecting the machinery, equipment or other
9 tangible personal property during operation by bolting, burying or
10 performing other similar nonpermanent connections to either real property
11 or real property improvements.

12 8. The gross proceeds of sales or gross income attributable to the
13 purchase of machinery, equipment or other tangible personal property that
14 is exempt from or deductible from transaction privilege and use tax under:

15 (a) Section 42-5061, subsection A, paragraph 25, 29 or 58.

16 (b) Section 42-5061, subsection B.

17 (c) Section 42-5159, subsection A, paragraph 13, subdivision (a),
18 (b), (c), (d), (e), (f), (j), (k), (m) or (n) or paragraph 55.

19 (d) Section 42-5159, subsection B.

20 9. The gross proceeds of sales or gross income received from a
21 contract for the construction of an environmentally controlled facility
22 for the raising of poultry for the production of eggs and the sorting,
23 cooling and packaging of eggs.

24 10. The gross proceeds of sales or gross income that is derived
25 from a contract entered into with a person who is engaged in the
26 commercial production of livestock, livestock products or agricultural,
27 horticultural, viticultural or floricultural crops or products in this
28 state for the modification of any building, highway, road, excavation,
29 manufactured building or other structure, project, development or
30 improvement used directly and primarily to prevent, monitor, control or
31 reduce air, water or land pollution.

32 11. The gross proceeds of sales or gross income that is derived
33 from the installation, assembly, repair or maintenance of clean rooms that
34 are deducted from the tax base of the retail classification pursuant to
35 section 42-5061, subsection B, paragraph 17.

36 12. For taxable periods beginning from and after June 30, 2001, the
37 gross proceeds of sales or gross income derived from a contract entered
38 into for the construction of a residential apartment housing facility that
39 qualifies for a federal housing subsidy for low-income persons over
40 sixty-two years of age and that is owned by a nonprofit charitable
41 organization that has qualified under section 501(c)(3) of the internal
42 revenue code.

43 13. For taxable periods beginning from and after December 31, 1996
44 and ending before January 1, 2017, the gross proceeds of sales or gross
45 income derived from a contract to provide and install a solar energy
46 device. The contractor shall register with the department as a solar
47 energy contractor. By registering, the contractor acknowledges that it

1 will make its books and records relating to sales of solar energy devices
2 available to the department for examination.

3 14. The gross proceeds of sales or gross income derived from a
4 contract entered into for the construction of a launch site, as defined in
5 14 Code of Federal Regulations section 401.5.

6 15. The gross proceeds of sales or gross income derived from a
7 contract entered into for the construction of a domestic violence shelter
8 that is owned and operated by a nonprofit charitable organization that has
9 qualified under section 501(c)(3) of the internal revenue code.

10 16. The gross proceeds of sales or gross income derived from
11 contracts to perform postconstruction treatment of real property for
12 termite and general pest control, including wood-destroying organisms.

13 17. The gross proceeds of sales or gross income received from
14 contracts entered into before July 1, 2006 for constructing a state
15 university research infrastructure project if the project has been
16 reviewed by the joint committee on capital review before the university
17 enters into the construction contract for the project. For the purposes
18 of this paragraph, "research infrastructure" has the same meaning
19 prescribed in section 15-1670.

20 18. The gross proceeds of sales or gross income received from a
21 contract for the construction of any building, or other structure,
22 project, development or improvement owned by a qualified business under
23 section 41-1516 for harvesting or processing qualifying forest products
24 removed from qualifying projects as defined in section 41-1516 if actual
25 construction begins before January 1, 2024. To qualify for this
26 deduction, the prime contractor must obtain a letter of qualification from
27 the Arizona commerce authority before beginning work under the contract.

28 19. Any amount of the gross proceeds of sales or gross income
29 attributable to development fees that are incurred in relation to a
30 contract for construction, development or improvement of real property and
31 that are paid by a prime contractor or subcontractor. For the purposes of
32 this paragraph:

33 (a) The attributable amount shall not exceed the value of the
34 development fees actually imposed.

35 (b) The attributable amount is equal to the total amount of
36 development fees paid by the prime contractor or subcontractor, and the
37 total development fees credited in exchange for the construction of,
38 contribution to or dedication of real property for providing public
39 infrastructure, public safety or other public services necessary to the
40 development. The real property must be the subject of the development
41 fees.

42 (c) "Development fees" means fees imposed to offset capital costs
43 of providing public infrastructure, public safety or other public services
44 to a development and authorized pursuant to section 9-463.05, section
45 11-1102 or title 48 regardless of the jurisdiction to which the fees are
46 paid.

1 20. The gross proceeds of sales or gross income derived from a
2 contract entered into for the construction of a mixed waste processing
3 facility that is located on a municipal solid waste landfill and that is
4 constructed for the purpose of recycling solid waste or producing
5 renewable energy from landfill waste. For the purposes of this paragraph:

6 (a) "Mixed waste processing facility" means a solid waste facility
7 that is owned, operated or used for the treatment, processing or disposal
8 of solid waste, recyclable solid waste, very small quantity generator
9 waste or household hazardous waste. For the purposes of this subdivision,
10 "very small quantity generator waste", "household hazardous waste" and
11 "solid waste facility" have the same meanings prescribed in section
12 49-701, except that solid waste facility does include a site that stores,
13 treats or processes paper, glass, wood, cardboard, household textiles,
14 scrap metal, plastic, vegetative waste, aluminum, steel or other
15 recyclable material.

16 (b) "Municipal solid waste landfill" has the same meaning
17 prescribed in section 49-701.

18 (c) "Recycling" means collecting, separating, cleansing, treating
19 and reconstituting recyclable solid waste that would otherwise become
20 solid waste, but does not include incineration or other similar processes.

21 (d) "Renewable energy" means usable energy, including electricity,
22 fuels, gas and heat, produced through the conversion of energy provided by
23 sunlight, water, wind, geothermal, heat, biomass, biogas, landfill gas or
24 another nonfossil renewable resource.

25 21. The gross proceeds of sales or gross income derived from a
26 contract to install containment structures. For the purposes of this
27 paragraph, "containment structure" means a structure that prevents,
28 monitors, controls or reduces noxious or harmful discharge into the
29 environment.

30 C. Entitlement to the deduction pursuant to subsection B, paragraph
31 7 of this section is subject to the following provisions:

32 1. A prime contractor may establish entitlement to the deduction by
33 both:

34 (a) Marking the invoice for the transaction to indicate that the
35 gross proceeds of sales or gross income derived from the transaction was
36 deducted from the base.

37 (b) Obtaining a certificate executed by the purchaser indicating
38 the name and address of the purchaser, the precise nature of the business
39 of the purchaser, the purpose for which the purchase was made, the
40 necessary facts to establish the deductibility of the property under
41 section 42-5061, subsection B, and a certification that the person
42 executing the certificate is authorized to do so on behalf of the
43 purchaser. The certificate may be disregarded if the prime contractor has
44 reason to believe that the information contained in the certificate is not
45 accurate or complete.

1 2. A person who does not comply with paragraph 1 of this subsection
2 may establish entitlement to the deduction by presenting facts necessary
3 to support the entitlement, but the burden of proof is on that person.

4 3. The department may prescribe a form for the certificate
5 described in paragraph 1, subdivision (b) of this subsection. The
6 department may also adopt rules that describe the transactions with
7 respect to which a person is not entitled to rely solely on the
8 information contained in the certificate provided in paragraph 1,
9 subdivision (b) of this subsection but must instead obtain such additional
10 information as required in order to be entitled to the deduction.

11 4. If a prime contractor is entitled to a deduction by complying
12 with paragraph 1 of this subsection, the department may require the
13 purchaser who caused the execution of the certificate to establish the
14 accuracy and completeness of the information required to be contained in
15 the certificate that would entitle the prime contractor to the deduction.
16 If the purchaser cannot establish the accuracy and completeness of the
17 information, the purchaser is liable in an amount equal to any tax,
18 penalty and interest that the prime contractor would have been required to
19 pay under article 1 of this chapter if the prime contractor had not
20 complied with paragraph 1 of this subsection. Payment of the amount under
21 this paragraph exempts the purchaser from liability for any tax imposed
22 under article 4 of this chapter. The amount shall be treated as a
23 transaction privilege tax to the purchaser and as tax revenues collected
24 from the prime contractor in order to designate the distribution base for
25 purposes of section 42-5029.

26 D. Subcontractors or others who perform modification activities are
27 not subject to tax if they can demonstrate that the job was within the
28 control of a prime contractor or contractors or a dealership of
29 manufactured buildings and that the prime contractor or dealership is
30 liable for the tax on the gross income, gross proceeds of sales or gross
31 receipts attributable to the job and from which the subcontractors or
32 others were paid.

33 E. Amounts received by a contractor for a project are excluded from
34 the contractor's gross proceeds of sales or gross income derived from the
35 business if the person who hired the contractor executes and provides a
36 certificate to the contractor stating that the person providing the
37 certificate is a prime contractor and is liable for the tax under article
38 1 of this chapter. The department shall prescribe the form of the
39 certificate. If the contractor has reason to believe that the information
40 contained on the certificate is erroneous or incomplete, the department
41 may disregard the certificate. If the person who provides the certificate
42 is not liable for the tax as a prime contractor, that person is
43 nevertheless deemed to be the prime contractor in lieu of the contractor
44 and is subject to the tax under this section on the gross receipts or
45 gross proceeds received by the contractor.

46 F. Every person engaging or continuing in this state in the
47 business of prime contracting or dealership of manufactured buildings

1 shall present to the purchaser of such prime contracting or manufactured building a written receipt of the gross income or gross proceeds of sales from such activity and shall separately state the taxes to be paid pursuant to this section.

5 G. For the purposes of section 42-5032.01, the department shall separately account for revenues collected under the prime contracting classification from any prime contractor engaged in the preparation or construction of a multipurpose facility, and related infrastructure, that is owned, operated or leased by the tourism and sports authority pursuant to title 5, chapter 8.

11 H. For the purposes of section 42-5032.02, from and after September 30, 2013, the department shall separately account for revenues reported and collected under the prime contracting classification from any prime contractor engaged in the construction of any buildings and associated improvements that are for the benefit of a manufacturing facility. For the purposes of this subsection, "associated improvements" and "manufacturing facility" have the same meanings prescribed in section 42-5032.02.

19 I. The gross proceeds of sales or gross income derived from a contract for lawn maintenance services is not subject to tax under this section if the contract does not include landscaping activities. Lawn maintenance service is a service pursuant to section 42-5061, subsection A, paragraph 1, and includes lawn mowing and edging, weeding, repairing sprinkler heads or drip irrigation heads, seasonal replacement of flowers, refreshing gravel, lawn dethatching, seeding winter lawns, leaf and debris collection and removal, tree or shrub pruning or clipping, garden and gravel raking and applying pesticides, as defined in section 3-361, and fertilizer materials, as defined in section 3-262.

29 J. Except as provided in subsection 0 of this section, the gross proceeds of sales or gross income derived from landscaping activities is subject to tax under this section. Landscaping includes installing lawns, grading or leveling ground, installing gravel or boulders, planting trees and other plants, felling trees, removing or mulching tree stumps, removing other imbedded plants, building irrigation berms, installing railroad ties and installing underground sprinkler or watering systems.

36 K. The portion of gross proceeds of sales or gross income attributable to the actual direct costs of providing architectural or engineering services that are incorporated in a contract is not subject to tax under this section. For the purposes of this subsection, "direct costs" means the portion of the actual costs that are directly expended in providing architectural or engineering services.

42 L. Operating a landfill or a solid waste disposal facility is not subject to taxation under this section, including filling, compacting and creating vehicle access to and from cell sites within the landfill. Constructing roads to a landfill or solid waste disposal facility and constructing cells within a landfill or solid waste disposal facility may be deemed prime contracting under this section.

1 M. The following apply in determining the taxable situs of sales of
2 manufactured buildings:

3 1. For sales in this state where the manufactured building dealer
4 contracts to deliver the building to a setup site or to perform the setup
5 in this state, the taxable situs is the setup site.

6 2. For sales in this state where the manufactured building dealer
7 does not contract to deliver the building to a setup site or does not
8 perform the setup, the taxable situs is the location of the dealership
9 where the building is delivered to the buyer.

10 3. For sales in this state where the manufactured building dealer
11 contracts to deliver the building to a setup site that is outside this
12 state, the situs is outside this state and the transaction is excluded
13 from tax.

14 N. The gross proceeds of sales or gross income attributable to a
15 written contract for design phase services or professional services,
16 executed before modification begins and with terms, conditions and pricing
17 of all of these services separately stated in the contract from those for
18 construction phase services, is not subject to tax under this section,
19 regardless of whether the services are provided sequential to or
20 concurrent with prime contracting activities that are subject to tax under
21 this section. This subsection does not include the gross proceeds of
22 sales or gross income attributable to construction phase services. For
23 the purposes of this subsection:

24 1. "Construction phase services" means services for the execution
25 and completion of any modification, including the following:

26 (a) Administration or supervision of any modification performed on
27 the project, including team management and coordination, scheduling, cost
28 controls, submittal process management, field management, safety program,
29 close-out process and warranty period services.

30 (b) Administration or supervision of any modification performed
31 pursuant to a punch list. For the purposes of this subdivision, "punch
32 list" means minor items of modification work performed after substantial
33 completion and before final completion of the project.

34 (c) Administration or supervision of any modification performed
35 pursuant to change orders. For the purposes of this subdivision, "change
36 order" means a written instrument issued after execution of a contract for
37 modification work, providing for all of the following:

38 (i) The scope of a change in the modification work, contract for
39 modification work or other contract documents.

40 (ii) The amount of an adjustment, if any, to the guaranteed maximum
41 price as set in the contract for modification work. For the purposes of
42 this item, "guaranteed maximum price" means the amount guaranteed to be
43 the maximum amount due to a prime contractor for the performance of all
44 modification work for the project.

45 (iii) The extent of an adjustment, if any, to the contract time of
46 performance set forth in the contract.

1 (d) Administration or supervision of any modification performed
2 pursuant to change directives. For the purposes of this subdivision,
3 "change directive" means a written order directing a change in
4 modification work before agreement on an adjustment of the guaranteed
5 maximum price or contract time.

6 (e) Inspection to determine the dates of substantial completion or
7 final completion.

8 (f) Preparation of any manuals, warranties, as-built drawings,
9 spares or other items the prime contractor must furnish pursuant to the
10 contract for modification work. For the purposes of this subdivision,
11 "as-built drawing" means a drawing that indicates field changes made to
12 adapt to field conditions, field changes resulting from change orders or
13 buried and concealed installation of piping, conduit and utility services.

14 (g) Preparation of status reports after modification work has begun
15 detailing the progress of work performed, including preparation of any of
16 the following:

17 (i) Master schedule updates.

18 (ii) Modification work cash flow projection updates.

19 (iii) Site reports made on a periodic basis.

20 (iv) Identification of discrepancies, conflicts or ambiguities in
21 modification work documents that require resolution.

22 (v) Identification of any health and safety issues that have arisen
23 in connection with the modification work.

24 (h) Preparation of daily logs of modification work, including
25 documentation of personnel, weather conditions and on-site occurrences.

26 (i) Preparation of any submittals or shop drawings used by the
27 prime contractor to illustrate details of the modification work performed.

28 (j) Administration or supervision of any other activities for which
29 a prime contractor receives a certificate for payment or certificate for
30 final payment based on the progress of modification work performed on the
31 project.

32 2. "Design phase services" means services for developing and
33 completing a design for a project that are not construction phase
34 services, including the following:

35 (a) Evaluating surveys, reports, test results or any other
36 information on-site conditions for the project, including physical
37 characteristics, legal limitations and utility locations for the site.

38 (b) Evaluating any criteria or programming objectives for the
39 project to ascertain requirements for the project, such as physical
40 requirements affecting cost or projected utilization of the project.

41 (c) Preparing drawings and specifications for architectural program
42 documents, schematic design documents, design development documents,
43 modification work documents or documents that identify the scope of or
44 materials for the project.

45 (d) Preparing an initial schedule for the project, excluding the
46 preparation of updates to the master schedule after modification work has
47 begun.

1 (e) Preparing preliminary estimates of costs of modification work
2 before completion of the final design of the project, including an
3 estimate or schedule of values for any of the following:

4 (i) Labor, materials, machinery and equipment, tools, water, heat,
5 utilities, transportation and other facilities and services used in the
6 execution and completion of modification work, regardless of whether they
7 are temporary or permanent or whether they are incorporated in the
8 modifications.

9 (ii) The cost of labor and materials to be furnished by the owner
10 of the real property.

11 (iii) The cost of any equipment of the owner of the real property
12 to be assigned by the owner to the prime contractor.

13 (iv) The cost of any labor for installation of equipment separately
14 provided by the owner of the real property that has been designed,
15 specified, selected or specifically provided for in any design document
16 for the project.

17 (v) Any fee paid by the owner of the real property to the prime
18 contractor pursuant to the contract for modification work.

19 (vi) Any bond and insurance premiums.

20 (vii) Any applicable taxes.

21 (viii) Any contingency fees for the prime contractor that may be
22 used before final completion of the project.

23 (f) Reviewing and evaluating cost estimates and project documents
24 to prepare recommendations on site use, site improvements, selection of
25 materials, building systems and equipment, modification feasibility,
26 availability of materials and labor, local modification activity as
27 related to schedules and time requirements for modification work.

28 (g) Preparing the plan and procedures for selection of
29 subcontractors, including any prequalification of subcontractor
30 candidates.

31 3. "Professional services" means architect services, engineer
32 services, geologist services, land surveying services or landscape
33 architect services that are within the scope of those services as provided
34 in title 32, chapter 1 and for which gross proceeds of sales or gross
35 income has not otherwise been deducted under subsection K of this section.

36 0. The gross proceeds of sales or gross income derived from a
37 contract with the owner of real property or improvements to real property
38 for the maintenance, repair, replacement or alteration of existing
39 property is not subject to tax under this section if the contract does not
40 include modification activities, except as specified in this subsection.
41 The gross proceeds of sales or gross income derived from a de minimis
42 amount of modification activity does not subject the contract or any part
43 of the contract to tax under this section. For the purposes of this
44 subsection:

45 1. Tangible personal property that is incorporated or fabricated
46 into a project described in this subsection may be subject to the amount
47 prescribed in section 42-5008.01.

1 2. Each contract is independent of any other contract, except that
2 any change order that directly relates to the scope of work of the
3 original contract shall be treated the same as the original contract under
4 this chapter, regardless of the amount of modification activities included
5 in the change order. If a change order does not directly relate to the
6 scope of work of the original contract, the change order shall be treated
7 as a new contract, with the tax treatment of any subsequent change order
8 to follow the tax treatment of the contract to which the scope of work of
9 the subsequent change order directly relates.

10 P. Notwithstanding subsection O of this section, a contract that
11 primarily involves surface or subsurface improvements to land and that is
12 subject to title 28, chapter 19, 20 or 22 or title 34, chapter 2 or 6 is
13 taxable under this section, even if the contract also includes vertical
14 improvements. Agencies that are subject to procurement processes under
15 those provisions shall include in the request for proposals a notice to
16 bidders when those projects are subject to this section. This subsection
17 does not apply to contracts with:

18 1. Community facilities districts, fire districts, county
19 television improvement districts, community park maintenance districts,
20 cotton pest control districts, hospital districts, pest abatement
21 districts, health service districts, agricultural improvement districts,
22 county free library districts, county jail districts, county stadium
23 districts, special health care districts, public health services
24 districts, theme park districts or revitalization districts.

25 2. Any special taxing district not specified in paragraph 1 of this
26 subsection if the district does not substantially engage in the
27 modification, maintenance, repair, replacement or alteration of surface or
28 subsurface improvements to land.

29 Q. Notwithstanding subsection R, paragraph 10 of this section, a
30 person owning real property who enters into a contract for sale of the
31 real property, who is responsible to the new owner of the property for
32 modifications made to the property in the period subsequent to the
33 transfer of title and who receives a consideration for the modifications
34 is considered a prime contractor solely for purposes of taxing the gross
35 proceeds of sale or gross income received for the modifications made
36 subsequent to the transfer of title. The original owner's gross proceeds
37 of sale or gross income received for the modifications shall be determined
38 according to the following methodology:

39 1. If any part of the contract for sale of the property specifies
40 amounts to be paid to the original owner for the modifications to be made
41 in the period subsequent to the transfer of title, the amounts are
42 included in the original owner's gross proceeds of sale or gross income
43 under this section. Proceeds from the sale of the property that are
44 received after transfer of title and that are unrelated to the
45 modifications made subsequent to the transfer of title are not considered
46 gross proceeds of sale or gross income from the modifications.

1 2. If the original owner enters into an agreement separate from the
2 contract for sale of the real property providing for amounts to be paid to
3 the original owner for the modifications to be made in the period
4 subsequent to the transfer of title to the property, the amounts are
5 included in the original owner's gross proceeds of sale or gross income
6 received for the modifications made subsequent to the transfer of title.

7 3. If the original owner is responsible to the new owner for
8 modifications made to the property in the period subsequent to the
9 transfer of title and derives any gross proceeds of sale or gross income
10 from the project subsequent to the transfer of title other than a delayed
11 disbursement from escrow unrelated to the modifications, it is presumed
12 that the amounts are received for the modifications made subsequent to the
13 transfer of title unless the contrary is established by the owner through
14 its books, records and papers kept in the regular course of business.

15 4. The tax base of the original owner is computed in the same
16 manner as a prime contractor under this section.

17 R. For the purposes of this section:

18 1. "Alteration" means an activity or action that causes a direct
19 physical change to existing property. For the purposes of this paragraph:

20 (a) For existing property that is properly classified as class two
21 property under section 42-12002, paragraph 1, subdivision (c) ~~or paragraph~~
22 ~~2, subdivision (c)~~ and that is used for residential purposes, class three
23 property under section 42-12003 or class four property under section
24 42-12004, this paragraph does not apply if the contract amount is more
25 than twenty-five percent of the most recent full cash value established
26 under chapter 13, article 2 of this title as of the date of any bid for
27 the work or the date of the contract, whichever value is higher.

28 (b) For all existing property other than existing property
29 described in subdivision (a) of this paragraph, this paragraph does not
30 apply if the contract amount is more than \$750,000.

31 (c) Project elements may not be artificially separated from a
32 contract to cause a project to qualify as an alteration. The department
33 has the burden of proof that project elements have been artificially
34 separated from a contract.

35 (d) If a project for which the owner and the person performing the
36 work reasonably believed, at the inception of the contract, would be
37 treated as an alteration under this paragraph and, on completion of the
38 project, the project exceeded the applicable threshold described in either
39 subdivision (a) or (b) of this paragraph by not more than twenty-five
40 percent of the applicable threshold for any reason, the work performed
41 under the contract qualifies as an alteration.

42 (e) A change order that directly relates to the scope of work of
43 the original contract shall be treated as part of the original contract,
44 and the contract amount shall include any amount attributable to a change
45 order that directly relates to the scope of work of the original contract.

46 (f) Alteration does not include maintenance, repair or replacement.

47 2. "Contracting" means engaging in business as a contractor.

1 3. "Contractor" is synonymous with the term "builder" and means any
2 person or organization that undertakes to or offers to undertake to, or
3 purports to have the capacity to undertake to, or submits a bid to, or
4 does personally or by or through others, modify any building, highway,
5 road, railroad, excavation, manufactured building or other structure,
6 project, development or improvement, or to do any part of such a project,
7 including the erection of scaffolding or other structure or works in
8 connection with such a project, and includes subcontractors and specialty
9 contractors. For all purposes of taxation or deduction, this definition
10 shall govern without regard to whether or not such a contractor is acting
11 in fulfillment of a contract.

12 4. "Manufactured building" means a manufactured home, mobile home
13 or factory-built building, as defined in section 41-4001.

14 5. "Manufactured building dealer" means a dealer who either:

15 (a) Is licensed pursuant to title 41, chapter 37, article 4 and who
16 sells manufactured buildings to the final consumer.

17 (b) Supervises, performs or coordinates the excavation and
18 completion of site improvements or the setup of a manufactured building,
19 including the contracting, if any, with any subcontractor or specialty
20 contractor for the completion of the contract.

21 6. "Modification" means construction, grading and leveling ground,
22 wreckage or demolition. Modification does not include:

23 (a) Any project described in subsection 0 of this section.

24 (b) Any wreckage or demolition of existing property, or any other
25 activity that is a necessary component of a project described in
26 subsection 0 of this section.

27 (c) Any mobilization or demobilization related to a project
28 described in subsection 0 of this section, such as the erection or removal
29 of temporary facilities to be used by those persons working on the
30 project.

31 7. "Modify" means to make a modification or cause a modification to
32 be made.

33 8. "Owner" means the person that holds title to the real property
34 or improvements to real property that is the subject of the work, as well
35 as an agent of the title holder and any person with the authority to
36 perform or authorize work on the real property or improvements, including
37 a tenant and a property manager. For the purposes of subsection 0 of this
38 section, a person who is hired by a general contractor that is hired by an
39 owner, or a subcontractor of a general contractor that is hired by an
40 owner, is considered to be hired by the owner.

41 9. "Prime contracting" means engaging in business as a prime
42 contractor.

43 10. "Prime contractor" means a contractor who supervises, performs
44 or coordinates the modification of any building, highway, road, railroad,
45 excavation, manufactured building or other structure, project, development
46 or improvement, including the contracting, if any, with any subcontractors
47 or specialty contractors and who is responsible for the completion of the

1 contract. Except as provided in subsections E and Q of this section, a
2 person who owns real property, who engages one or more contractors to
3 modify that real property and who does not itself modify that real
4 property is not a prime contractor within the meaning of this paragraph
5 regardless of the existence of a contract for sale or the subsequent sale
6 of that real property.

7 11. "Replacement" means the removal from service of one component
8 or system of existing property or tangible personal property installed in
9 existing property, including machinery or equipment, and the installation
10 of a new component or system or new tangible personal property, including
11 machinery or equipment, that provides the same, a similar or an upgraded
12 design or functionality, regardless of the contract amount and regardless
13 of whether the existing component or system or existing tangible personal
14 property is physically removed from the existing property.

15 12. "Sale of a used manufactured building" does not include a lease
16 of a used manufactured building.

17 Sec. 6. Section 42-11054, Arizona Revised Statutes, is amended to
18 read:

19 42-11054. Standard appraisal methods and techniques

20 A. ~~Subject to subsection B of this section,~~ The department shall:

21 1. Prescribe guidelines for applying standard appraisal methods and
22 techniques that shall be used by the department and county assessors in
23 determining the valuation of property.

24 2. Prepare and maintain manuals and other necessary guidelines,
25 consistent with this section, reflecting the standard methods and
26 techniques to perpetuate a current inventory of taxable property and the
27 valuation of that property.

28 ~~B. Before they are adopted, the department shall submit each~~
29 ~~substantive proposed guideline, table and manual that is developed,~~
30 ~~amended or otherwise modified from and after December 31, 2006 to the~~
31 ~~joint legislative oversight committee on property tax assessment and~~
32 ~~appeals. The department shall not finally adopt, amend or otherwise~~
33 ~~modify a substantive guideline, table or manual for at least thirty days~~
34 ~~after submitting the measure to the committee. The committee may hold one~~
35 ~~or more informational hearings on the proposed measure within thirty days~~
36 ~~after submission. In adopting, amending or modifying the measure the~~
37 ~~department shall consider the committee's comments. If the committee~~
38 ~~fails to hold a hearing within thirty days after submission, the~~
39 ~~department may adopt, amend or modify the measure without further~~
40 ~~consideration.~~

41 ~~E.~~ B. In applying prescribed standard appraisal methods and
42 techniques:

43 1. Current usage shall be included in the formula for reaching a
44 determination of full cash value.

45 2. Solar energy devices, as defined in section 44-1761, grid-tied
46 photovoltaic systems and any other device or system designed to produce

1 solar energy primarily for on-site consumption are considered to add no
2 value to the property on which such a device or system is installed.

3 ~~3. If characterized as personal property, subject to any applicable~~
4 ~~constitutional exemption from taxation, solar energy devices, as defined~~
5 ~~in section 44-1761, grid-tied photovoltaic systems and any other device or~~
6 ~~system designed to produce solar energy primarily for on-site consumption~~
7 ~~shall be valued as provided in section 42-13056.~~

8 ~~4.~~ 3. Energy efficient building components, renewable energy
9 equipment and combined heat and power systems are considered to add no
10 value to the property, if the property owner provides the county assessor
11 with documentation of all elements that qualify pursuant to this
12 paragraph, including documents showing actual acquisition and installation
13 costs. The documentation must be submitted to the county assessor not
14 later than six months before the notice of full cash value is issued for
15 the initial evaluation year pursuant to section 42-15101 or, if the
16 component is added after September 30 of the preceding year, not later
17 than March 31 of the initial valuation year. For the purposes of this
18 paragraph:

19 (a) "Combined heat and power system" means a system that generates
20 electricity or mechanical power and useful thermal energy in a single,
21 integrated system such that the useful power output of the facility plus
22 one-half the useful thermal output during any twelve-month period is not
23 less than 42.5 percent of the total energy input of fuel to the facility.

24 (b) "Energy efficient building components" means high performance
25 sustainable building components installed so that the buildings or
26 building components meet or exceed the energy efficiencies prescribed by
27 the United States environmental protection agency energy star program or
28 by a leadership in energy and environmental design green building rating
29 standard developed by the United States green building council, or an
30 equivalent green building standard, or that are at least fifteen percent
31 more energy efficient than the international energy conservation code in
32 effect at the time of building permit issuance.

33 (c) "Renewable energy equipment" means equipment that is used to
34 produce energy primarily for on-site consumption from renewable resources,
35 including wind, forest thinning, agricultural waste, biogas, biomass,
36 geothermal, low-impact hydropower and solar energy not included under
37 paragraph 2 of this subsection.

38 ~~D.~~ C. If the methods and techniques prescribe using market data as
39 an indication of market value, the price paid for future anticipated
40 property value increments shall be excluded.

41 ~~E.~~ D. For the purposes of determining full cash value the
42 department and county assessors shall use and apply the ratio standard
43 guidelines issued by the department for tax year 1993 in the same manner
44 as they were applied in tax year 1993. This subsection does not apply to
45 property that is valued according to prescribed statutory methods or to
46 property for which values are determined in the year after an appeal
47 pursuant to section 42-16002.

1 Sec. 7. Section 42-11127, Arizona Revised Statutes, is amended to
2 read:

3 42-11127. Exempt personal property

4 ~~A. Pursuant to article IX, section 2, subsection F, Constitution~~
5 ~~of Arizona, personal property that is class two property pursuant to~~
6 ~~section 42-12002, paragraph 2, subdivision (a) or (b) and that is used for~~
7 ~~agricultural purposes or personal property that is class one property~~
8 ~~pursuant to section 42-12001 and that is used in a trade or business as~~
9 ~~described in section 42-12001, paragraphs 8 through 11 or 13 AND THAT IS~~
10 ~~NOT VALUED PURSUANT TO CHAPTER 14 OF THIS TITLE is exempt from taxation up~~
11 ~~to a maximum amount of \$207,366 of full cash value for each taxpayer.~~

12 ~~B. On or before December 31 of each year, the department shall~~
13 ~~increase the maximum amount of the exemption for the following tax year~~
14 ~~based on the percentage increase, if any, in the employment cost index for~~
15 ~~total compensation for private industry workers in the two most recent~~
16 ~~complete state fiscal years. For the purposes of this subsection,~~
17 ~~"employment cost index" means the average of the employment cost indices~~
18 ~~reported by the bureau of labor statistics of the United States department~~
19 ~~of labor or its successor for the eight quarters of the two most recent~~
20 ~~state fiscal years.~~

21 Sec. 8. Section 42-12001, Arizona Revised Statutes, is amended to
22 read:

23 42-12001. Class one property

24 For THE purposes of taxation, class one is established consisting of
25 the following subclasses:

26 1. Producing mines and mining claims, personal property used on
27 mines and mining claims, improvements to mines and mining claims and mills
28 and smelters operated in conjunction with mines and mining claims that are
29 valued at full cash value pursuant to section 42-14053.

30 2. Standing timber that is valued at full cash value.

31 3. Real and personal property of gas distribution companies,
32 electric transmission companies, electric distribution companies,
33 combination gas and electric transmission and distribution companies, and
34 companies engaged in the generation of electricity that are valued at full
35 cash value pursuant to section 42-14151.

36 4. Real and personal property of airport fuel delivery companies
37 that are valued pursuant to section 42-14503.

38 5. Real and personal property that is used by producing oil, gas
39 and geothermal resource interests that are valued at full cash value
40 pursuant to section 42-14102.

41 6. Real and personal property of water, sewer and wastewater
42 utility companies that are valued at full cash value pursuant to section
43 42-14151.

44 7. Real and personal property of pipeline companies that are valued
45 at full cash value pursuant to section 42-14201.

1 8. Real ~~and personal~~ property of shopping centers that are valued
2 at full cash value or pursuant to chapter 13, article 5 of this title, as
3 applicable, other than property that is included in class nine.

4 9. Real ~~and personal~~ property of golf courses that are valued at
5 full cash value or pursuant to chapter 13, article 4 of this title.

6 10. All REAL property, ~~both real and personal~~, of manufacturers,
7 assemblers or fabricators, other than property that is specifically
8 included in another class described in this article, that is valued under
9 this title.

10 11. Real and personal property that is used in communications
11 transmission facilities and that provides public telephone or
12 telecommunications exchange or interexchange access for compensation to
13 effect two-way communication to, from, through or within this state.

14 12. Real property and improvements that are devoted to any other
15 commercial or industrial use, other than property that is specifically
16 included in another class described in this article, and that are valued
17 at full cash value.

18 ~~13. Personal property that is devoted to any other commercial or~~
19 ~~industrial use, other than property that is specifically included in~~
20 ~~another class described in this article, and that is valued at full cash~~
21 ~~value.~~

22 ~~14.~~ 13. Real and personal property of electric cooperatives that
23 are valued at full cash value pursuant to section 42-14159.

24 Sec. 9. Section 42-12002, Arizona Revised Statutes, is amended to
25 read:

26 42-12002. Class two property

27 For THE purposes of taxation, class two is established consisting of
28 ~~three~~ TWO subclasses:

29 1. Class two (R) consists of:

30 (a) Real property and improvements to property that are used for
31 agricultural purposes and that are valued at full cash value or pursuant
32 to chapter 13, article 3 of this title, as applicable.

33 (b) Real property and improvements to property that are primarily
34 used for agricultural purposes to produce trees other than standing
35 timber, vines, rosebushes, ornamental plants or other horticultural crops,
36 regardless of whether the crop is grown in containers, soil or any other
37 medium, that are not included in class one, three, four, six, seven or
38 eight and that are valued at full cash value or pursuant to chapter 13,
39 article 3 of this title, as applicable.

40 (c) Real property and improvements to property that are owned and
41 controlled by a nonprofit organization that is exempt from taxation under
42 section 501(c)(3), (4), (7), (10) or (14) of the internal revenue code if
43 the property is not used or intended for the financial benefit of members
44 of the organization or any other individual or organization, unless the
45 financial benefit is for charitable, religious, scientific, literary or
46 educational purposes, and that are valued at full cash value.

1 (d) Real property of golf courses that is valued at full cash value
2 or pursuant to chapter 13, article 4 of this title.

3 (e) Real property and improvements to property of a guest ranch
4 that meets the requirements prescribed in chapter 13, article 12 of this
5 title, that are not included in class four and that are valued at full
6 cash value.

7 (f) All other real property and improvements to property, if any,
8 that are not included in class one, three, four, six, seven or eight and
9 that are valued at full cash value.

10 ~~2. Class two (P) consists of:~~

11 ~~(a) Personal property that is used for agricultural purposes and~~
12 ~~that is valued at full cash value or pursuant to chapter 13, article 3 of~~
13 ~~this title, as applicable.~~

14 ~~(b) Personal property that is primarily used for agricultural~~
15 ~~purposes to produce trees other than standing timber, vines, rosebushes,~~
16 ~~ornamental plants or other horticultural crops, regardless of whether the~~
17 ~~crop is grown in containers, soil or any other medium, that is not~~
18 ~~included in class one, three, four, six, seven or eight and that is valued~~
19 ~~at full cash value or pursuant to chapter 13, article 3 of this title, as~~
20 ~~applicable.~~

21 ~~(c) Personal property that is owned and controlled by a nonprofit~~
22 ~~organization that is exempt from taxation under section 501(c)(3), (4),~~
23 ~~(7), (10) or (14) of the internal revenue code if the property is not used~~
24 ~~or intended for the financial benefit of members of the organization or~~
25 ~~any other individual or organization, unless the financial benefit is for~~
26 ~~charitable, religious, scientific, literary or educational purposes, and~~
27 ~~that is valued at full cash value.~~

28 ~~(d) Personal property of golf courses that is valued at full cash~~
29 ~~value or pursuant to chapter 13, article 4 of this title.~~

30 ~~(e) Personal property of a guest ranch that meets the requirements~~
31 ~~prescribed in chapter 13, article 12 of this title and that is not~~
32 ~~included in class four and that is valued at full cash value.~~

33 ~~(f) All other personal property that is not included in class one,~~
34 ~~three, four, six, seven or eight and that is valued at full cash value.~~

35 ~~3.~~ 2. Class two (C) consists of real property, and improvements to
36 real property, that is burdened by a conservation easement that has been
37 created and is currently in effect pursuant to title 33, chapter 2,
38 article 4.

39 Sec. 10. Section 42-12004, Arizona Revised Statutes, is amended to
40 read:

41 ~~42-12004.~~ Class four property

42 A. For the purposes of taxation, class four is established
43 consisting of:

44 1. Real and personal property and improvements to the property that
45 are used for residential purposes, including residential property that is
46 owned in foreclosure by a financial institution, that is not otherwise

1 included in another classification and that is valued at full cash value.

2 The homesite that is included in class four may include:

3 (a) Up to ten acres on a single parcel of real property on which
4 the residential improvement is located.

5 (b) More than ten, but not more than forty, acres on a single
6 parcel of real property on which the residential improvement is located if
7 it is zoned exclusively for residential purposes or contains legal
8 restrictions or physical conditions that prevent the division of the
9 parcel. For the purposes of this subdivision, "physical conditions" means
10 topography, mountains, washes, rivers, roads or any other configuration
11 that limits the residential usable land area.

12 2. Real and personal property and improvements to the property that
13 are used for residential purposes and solely leased or rented, that are
14 not included in class one, two, three, six, seven or eight and that are
15 valued at full cash value.

16 3. Child care facilities that are licensed under title 36, chapter
17 7.1 and that are valued at full cash value.

18 4. Real ~~and personal~~ property and improvements to property that are
19 used to operate nonprofit residential housing facilities that are
20 structured to house or care for persons with disabilities or who are at
21 least sixty-two years of age and that are valued at full cash value.

22 5. Real ~~and personal~~ property and improvements that are used to
23 operate licensed residential care institutions or licensed nursing care
24 institutions that provide medical services, nursing services or
25 health-related services and that are structured to house or care for
26 persons with disabilities or who are at least sixty-two years of age and
27 that are valued at full cash value.

28 6. Real ~~and personal~~ property consisting of not more than eight
29 rooms of residential property that are leased or rented to transient
30 lodgers, together with furnishing not more than a breakfast meal, by the
31 owner who resides on the property and that is valued at full cash value.

32 7. Real ~~and personal~~ property that consists of residential
33 dwellings maintained for occupancy by agricultural employees as a
34 condition of employment or as a convenience to the employer, that is not
35 included in class three and that is valued at full cash value. The land
36 associated with these dwellings shall be valued as agricultural land
37 pursuant to chapter 13, article 3 of this title.

38 8. Real property and improvements to property constituting common
39 areas that are valued pursuant to chapter 13, article 9 of this title.

40 9. Real ~~and personal~~ property that is defined as timeshare property
41 by section 32-2197 and valued pursuant to chapter 13, article 10 of this
42 title, except for any property used for commercial, industrial or
43 transient occupancy purposes and included in class one to the extent of
44 that use.

45 10. Real ~~and personal~~ property and improvements that are used for
46 residential purposes and that are leased or rented to lodgers, except for:

1 (a) Property occupied by the owner of the property as the owner's
2 primary residence and included in class three.

3 (b) Property used for commercial purposes and included in class
4 one.

5 11. Low-income multi family residential rental properties that are
6 valued pursuant to chapter 13, article 13 of this title.

7 12. Real ~~and personal~~ property and improvements to property of a
8 guest ranch that meets the requirements prescribed in chapter 13, article
9 12 of this title and that is included in the Arizona dude ranch heritage
10 trail program established by section 41-867 and that are valued at full
11 cash value.

12 B. Subsection A, paragraphs 4 and 5 of this section do not limit
13 eligibility for exemption from taxation under chapter 11, article 3 of
14 this title.

15 Sec. 11. Section 42-12006, Arizona Revised Statutes, is amended to
16 read:

17 42-12006. Class six property

18 For the purposes of taxation, class six is established consisting
19 of:

20 1. Noncommercial historic property as defined in section 42-12101
21 and valued at full cash value.

22 2. Real ~~and personal~~ property that is located within the area of a
23 foreign trade zone or subzone established under 19 United States Code
24 sections 81a through 81u and title 44, chapter 18, that is activated for
25 foreign trade zone use by the district director of the United States
26 customs service pursuant to 19 Code of Federal Regulations section 146.6
27 and that is valued at full cash value. Property that is classified under
28 this paragraph shall not thereafter be classified under paragraph 6 of
29 this section.

30 3. Real ~~and personal~~ property and improvements that are located in
31 a military reuse zone that is established under chapter 1, article 7 of
32 this title and that is devoted to providing aviation or aerospace services
33 or to manufacturing, assembling or fabricating aviation or aerospace
34 products, valued at full cash value and subject to the following terms and
35 conditions:

36 (a) Property may not be classified under this paragraph for more
37 than five tax years.

38 (b) Any new addition or improvement to property already classified
39 under this paragraph qualifies separately for classification under this
40 paragraph for not more than five tax years.

41 (c) If a military reuse zone is terminated, the property in that
42 zone that was previously classified under this paragraph shall be
43 reclassified as prescribed by this article.

44 (d) Property that is classified under this paragraph shall not
45 thereafter be classified under paragraph 6 of this section.

46 4. Real ~~and personal~~ property and improvements or a portion of such
47 property comprising an environmental technology manufacturing, producing

1 or processing facility that qualified under section 41-1514.02, valued at
2 full cash value and subject to the following terms and conditions:

3 (a) Property shall be classified under this paragraph for twenty
4 tax years from the date placed in service.

5 (b) Any addition or improvement to property already classified
6 under this paragraph qualifies separately for classification under this
7 subdivision for an additional twenty tax years from the date placed in
8 service.

9 (c) After revocation of certification under section 41-1514.02,
10 property that was previously classified under this paragraph shall be
11 reclassified as prescribed by this article.

12 (d) Property that is classified under this paragraph shall not
13 thereafter be classified under paragraph 6 of this section.

14 5. That portion of real ~~and personal~~ property that is used on or
15 after January 1, 1999 specifically and solely for remediation of the
16 environment by an action that has been determined to be reasonable and
17 necessary to respond to the release or threatened release of a hazardous
18 substance by the department of environmental quality pursuant to section
19 49-282.06 or pursuant to its corrective action authority under rules
20 adopted pursuant to section 49-922, subsection B, paragraph 4 or by the
21 United States environmental protection agency pursuant to the national
22 contingency plan (40 Code of Federal Regulations part 300) and that is
23 valued at full cash value. Property that is not being used specifically
24 and solely for the remediation objectives described in this paragraph
25 shall not be classified under this paragraph. For the purposes of this
26 paragraph, "remediation of the environment" means one or more of the
27 following actions:

28 (a) Monitoring, assessing or evaluating the release or threatened
29 release.

30 (b) Excavating, removing, transporting, treating and disposing of
31 contaminated soil.

32 (c) Pumping and treating contaminated water.

33 (d) Treating, containing or removing contaminants in groundwater or
34 soil.

35 6. Real ~~and personal~~ property and improvements constructed or
36 installed from and after December 31, 2004 through December 31, 2024 and
37 owned by a qualified business under section 41-1516 and used solely for
38 the purpose of harvesting, transporting or processing qualifying forest
39 products removed from qualifying projects as defined in section 41-1516.
40 The classification under this paragraph is subject to the following terms
41 and conditions:

42 (a) Property may be initially classified under this paragraph only
43 in valuation years 2005 through 2024.

44 (b) Property may not be classified under this paragraph for more
45 than five years.

46 (c) Any new addition or improvement, constructed or installed from
47 and after December 31, 2004 through December 31, 2024, to property already

1 classified under this paragraph qualifies separately for classification
2 and assessment under this paragraph for not more than five years.

3 (d) Property that is classified under this paragraph shall not
4 thereafter be classified under paragraph 2, 3 or 4 of this section.

5 7. Real ~~and personal~~ property and improvements to the property that
6 are used specifically and solely to manufacture from and after December
7 31, 2006 through December 31, 2023 biodiesel fuel that is one hundred
8 percent biodiesel and its by-products or motor vehicle biofuel and its
9 by-products and that are valued at full cash value. This paragraph
10 applies only to the portion of property that is used specifically for
11 manufacturing and processing one hundred percent biodiesel fuel, or its
12 related by-products, or motor vehicle biofuel, or its related by-products,
13 from raw feedstock obtained from off-site sources, including necessary
14 on-site storage facilities that are intrinsically associated with the
15 manufacturing process. Any other commercial or industrial use
16 disqualifies the entire property from classification under this paragraph.
17 For the purposes of this paragraph, "motor vehicle biofuel" means a solid,
18 liquid or gaseous fuel that is derived from biological material such as
19 plant or animal matter, excluding organic material that has been
20 transformed by geological processes into substances such as coal or
21 petroleum or derivatives thereof, and that:

22 (a) Contains fuel additives in compliance with federal and state
23 law.

24 (b) Is manufactured exclusively for use in a motor vehicle.

25 8. Real ~~and personal~~ property and improvements that are used for
26 renewable energy manufacturing or headquarters operations as provided by
27 section 42-12057. This paragraph applies only to property that is used in
28 manufacturing and headquarters operations of renewable energy companies,
29 including necessary on-site research and development, testing and storage
30 facilities that are associated with the manufacturing process. Up to ten
31 percent of the aggregate full cash value of the property may be derived
32 from uses that are ancillary to and intrinsically associated with the
33 manufacturing process or headquarters operation. Any additional ancillary
34 property is not qualified for classification under this paragraph. No new
35 properties may be classified pursuant to this paragraph from and after
36 December 31, 2014. Property that is classified under this paragraph shall
37 not thereafter be classified under any other paragraph of this section.

38 Sec. 12. Section 42-12007, Arizona Revised Statutes, is amended to
39 read:

40 42-12007. Class seven property

41 For THE purposes of taxation, class seven is established consisting
42 of real ~~and personal~~ property and improvements that meet the criteria for
43 property included in class one, ~~paragraphs~~ UNDER SECTION 42-12001,
44 PARAGRAPH 12 ~~and 13~~ and also the criteria for commercial historic property
45 as defined in section 42-12101.

46 Sec. 13. Section 42-12054, Arizona Revised Statutes, is amended to
47 read:

1 42-12054. Change in classification of owner-occupied
2 residence

3 A. If a person purchases or converts property that is listed as
4 class one pursuant to section 42-12001, paragraph 12 ~~or 13~~, class two or
5 class four pursuant to article 1 of this chapter and occupies the property
6 as the person's primary residence, the person may have the classification
7 reviewed for change to class three from the date of conversion and
8 occupancy as a primary residence and may appeal from the decision
9 resulting from the review in the same manner as provided by law for review
10 of a valuation for ad valorem property taxes and appeal from that review.

11 B. If a person purchases or converts property that is listed as
12 class one pursuant to section 42-12001, paragraph 12 ~~or 13~~, class two or
13 class four pursuant to article 1 of this chapter and the property is
14 occupied by a member of the owner's immediate family as described in
15 section 42-12053, the person may have the classification reviewed for
16 change to class three from the date of occupancy and may appeal the
17 decision resulting from the review in the same manner as provided by law
18 for review of a valuation for ad valorem property taxes and appeal from
19 that review.

20 C. If a person makes such a conversion or occupancy or appeals the
21 classification after the county assessor has closed the rolls, the person
22 may petition the county board of supervisors to change the classification
23 and reduce the assessed valuation from the date of conversion or
24 occupancy.

25 D. The board of supervisors shall entertain the petition in the
26 same manner as a board of equalization hears a request for reduction in
27 valuation.

28 E. The petitioner may appeal the board of supervisors' decision in
29 the same manner as provided in section 42-16111, except that the
30 petitioner shall file the notice of appeal within fifteen days after the
31 board's finding.

32 F. If the board of supervisors finds that the property is in fact
33 the owner's primary residence and should be listed as class three
34 property, the board shall change the classification on the roll and fix
35 the assessed valuation from the date of occupancy. The amount of taxes
36 that is assessed against the property shall be computed by applying the
37 current tax rate to the original assessed valuation prorated for the
38 portion of the tax year before the property was occupied plus the current
39 tax rate applied to the reassessed value of the property prorated for the
40 balance of the year.

41 G. The board of supervisors shall notify the department, assessor
42 and county treasurer of the change in classification, the change in
43 assessed valuation and the amount of tax assessed. The department and the
44 assessor may appeal any such decision in the same manner as provided in
45 section 42-16111. The assessor and treasurer shall note the change on
46 their records, and the treasurer may issue a future tax credit, endorsed
47 by the board, to the person whose property is liable for the tax. The tax

1 credit shall be used on the next or several succeeding property tax
2 assessments that the person may owe thereafter.

3 Sec. 14. Section 42-12058, Arizona Revised Statutes, is amended to
4 read:

5 42-12058. Registry of real property burdened by conservation
6 easements

7 A. The county assessor in each county shall establish and maintain
8 a public digital registry of each parcel of property in the county that is
9 classified as class two (C) pursuant to section 42-12002, paragraph ~~3~~ 2
10 from and after December 31, 2016 because it is burdened by a conservation
11 easement.

12 B. The registry shall include the following information regarding
13 each parcel:

14 1. The name of the owner or owners of the real property that is
15 burdened by the conservation easement.

16 2. The name of the holder of the conservation easement and the name
17 of any governmental body, charitable corporation or trustee of a
18 charitable trust having a third-party right of enforcement.

19 3. The date the conservation easement was created or recorded.

20 4. Whether the conservation easement is perpetual or limited in
21 duration and, if so limited, the date or conditions under which the
22 conservation easement terminates.

23 5. The value of the real property that is burdened by the
24 conservation easement as determined by an independent appraisal prior to
25 the creation and recording of the conservation easement.

26 C. The assessor shall periodically review and revise as necessary
27 the information contained in the registry for the purpose of verifying
28 that the listed properties should remain classified as class two (C).

29 Sec. 15. Repeal

30 Sections 42-13054, 42-13055 and 42-13056, Arizona Revised Statutes,
31 are repealed.

32 Sec. 16. Section 42-13304, Arizona Revised Statutes, is amended to
33 read:

34 42-13304. Exemptions from limitation

35 The limitations prescribed by this article do not apply to:

36 1. Personal property, other than mobile homes. The full cash value
37 of personal property, other than mobile homes, shall be used for all
38 purposes in lieu of limited property value.

39 2. Property included in property class one under section 42-12001,
40 paragraphs 1 through 7, 11 and ~~14~~ 13. The full cash value of that
41 property shall be used for all purposes in lieu of limited property value.

1 Sec. 17. Section 42-13351, Arizona Revised Statutes, is amended to
2 read:

3 42-13351. Method and procedures for valuing property of
4 manufacturers, assemblers or fabricators:
5 confidentiality

6 A. Real or personal property that is subject to valuation for
7 property tax purposes and that is used by any manufacturer, assembler or
8 fabricator of tangible personal property, except property that is included
9 in class one, ~~UNDER SECTION 42-12001, paragraphs 1, through 2, 3, 4, 5,~~
10 ~~6, 7, 8, 9, and paragraphs 11, through 14~~ 12 AND 13 and classes two,
11 three, four, five, six, seven, eight or nine, ~~shall be valued pursuant to~~
12 this article.

13 B. All information that a taxpayer submits pursuant to this article
14 is confidential pursuant to chapter 2, article 1 of this title.

15 Sec. 18. Section 42-15002, Arizona Revised Statutes, is amended to
16 read:

17 42-15002. Assessed valuation of class two property

18 The following percentages apply to the full cash value or limited
19 valuation, as applicable, as a basis for determining the assessed
20 valuation of class two property described in section 42-12002:

21 1. Class two (R): sixteen percent through December 31, 2015 and
22 fifteen percent beginning from and after December 31, 2015.

23 ~~2. Class two (P): sixteen percent through December 31, 2015, and~~
24 ~~fifteen percent beginning from and after December 31, 2015, of the value~~
25 ~~exceeding the maximum amount of valuation of personal property that is~~
26 ~~exempt from taxation pursuant to section 42-11127.~~

27 ~~3.~~ 2. Class two (C): fifteen percent.

28 Sec. 19. Section 42-15005, Arizona Revised Statutes, is amended to
29 read:

30 42-15005. Assessed valuation of class five property

31 The director shall annually determine percentages to apply as a
32 basis for determining the assessed valuation of class five property
33 described in section 42-12005 equal to the ~~ratios~~ RATIO that the total net
34 assessed valuation of all taxable property for primary and secondary tax
35 purposes in class one UNDER SECTION 42-12001, and class six, ~~UNDER~~
36 ~~SECTION 42-12006, paragraph 3 and personal property in class two~~ bears to
37 the total limited valuation used for primary tax purposes of such
38 property, and that ratio shall be used for primary tax purposes as
39 required by federal law.

40 Sec. 20. Section 42-15053, Arizona Revised Statutes, is amended to
41 read:

42 42-15053. Duty to report personal property: exemption:
43 contents of report: confidentiality

44 A. On or before February 1 of each year, the assessor shall mail a
45 form, notice or demand to each person that owns or has charge or control
46 of taxable personal property in this state. Each person shall prepare and
47 deliver to the assessor a correct report of property on or before April 1

1 of each year. On written request and for good cause shown, the assessor
2 may extend for up to thirty days the time for filing the report.

3 B. Property that is not required to be reported as provided by
4 subsection D of this section is exempt from the reporting requirement of
5 subsection A of this section. The county assessor may not require a
6 person that owns or has charge or control of property that is not required
7 to be reported as provided by subsection D of this section to apply to be
8 exempt from the reporting requirement of subsection A of this section.

9 C. The duty to report taxable property pursuant to this section
10 applies regardless of whether the person or entity that owns or has charge
11 or control of the personal property also owns real property in the county
12 with a value of \$200 or more.

13 D. The assessor shall not require a report of:

14 1. The breed, number, age or location of livestock on hand from
15 individuals, corporations, partnerships or any other business if the
16 livestock is exempt from taxation pursuant to article IX, section 13,
17 Constitution of Arizona.

18 2. The personal property ~~that is class two (P) property pursuant to~~
19 ~~section 42-12002, paragraph 2 and~~ that is used for agricultural purposes
20 or ~~that is class one, subclasses 8 through 11 and 13 property pursuant to~~
21 ~~section 42-12001 and that is~~ used in a trade or business AND that is
22 exempt from taxation pursuant to article IX, section 2, subsection E,
23 Constitution of Arizona, AND SECTION 42-11127.

24 E. Every assessment made against property that is subject to
25 taxation is valid whether or not the form, notice or demand was sent or
26 received.

27 F. The department shall prescribe in detail the contents of
28 property reports including the specific wording to be used by county
29 assessors and the method of reporting property. The report shall not
30 include any question that is not germane to the valuation function.

31 G. A report that is furnished under this section:

32 1. Is not open to public inspection, but the report may be used as
33 evidence in any prosecution brought under section 42-15055.

34 2. May be subject to audit. On completing an audit or on
35 discovering property that has not been reported, any property that was
36 found to have escaped taxation is liable for the amount of taxes due
37 determined under chapter 16, article 6 of this title, plus a penalty equal
38 to ten percent of that amount. The county treasurer shall credit monies
39 received as penalties under this paragraph to the county general fund.

40 ~~<<Sec. 21. Applicability~~

41 ~~This act applies to tax years beginning from and after December 31,~~
42 ~~2025.>>~~

43 ~~<<Sec. 21. Effective date~~

44 ~~[This act is effective from and after December 31, 2031.]>>~~

45 Enroll and engross to conform

46 Amend title to conform

NEAL CARTER

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C: ED